NATIONAL HEALTH INSURANCE

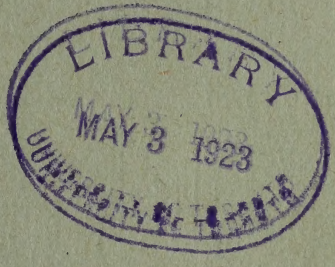
AND THE

FRIENDLY SOCIETIES

By

FREDERICK L. HOFFMAN, LL.D., F.S.S., F.A.S.A.

Third Vice President and Statistician The Prudential Insurance Company of America



An Address

Delivered in Abstract before the Fraternal Congress
Chicago, Ill., August 23, 1920

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(Continued on page 3 of the cover)

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PREFACE

The present address was prepared at the request of the Fraternal Congress, to make accessible to those responsible for the conduct of fraternal societies the essential facts bearing upon the relation of British friendly societies to the British system of national health insurance. It is realized that within the necessary limitations of such an address no particular aspect can receive adequate or entirely satisfactory consideration. An effort, however, has been made to present the subject entirely from the friendly-society view-point, and the references given will make it conveniently possible to extend the inquiry in whatever direction may seem advisable. The material for a thorough investigation is of truly enormous extent, including, as it does, literally thousands of publications of friendly societies for the period since national health insurance went into effect, in 1912. It would have been truly impossible to review this mass of data for the present purpose, but a selection has been made with discrimination and a reasonably thorough knowledge of the past history of the friendly-society movement.

The British friendly societies represent an inspiring aspect of mutual thrift, instituted and fostered entirely by wage-earners in their endeavors to achieve a well-perceived objective, the raising of the wage-earner's standard of life. It is the judgment of those who have impartially considered the facts of friendly-society history that no other social institution has been of equal benefit in developing a democratic spirit of initiative and self-help on the part of those who, in England, are still referred to as "the working class." For a hundred years past these societies have been the subject of Parliamentary solicitude, and the long series of Parliamentary investigations which is extant reveals a truly amazing amount of evidence regarding wage-earners' thrift and the far-reaching value of voluntary effort, practically disregarded on the part of those who fatuously in 1911 forced the system of compulsory health insurance upon the British people. The foremost British economists have seldom failed to bear witness to the efficacy of friendly societies in developing the widely diffused abhorrence of poor-relief and the desire for economic independence on the part of wage-earners struggling against economic adversity. They were looked upon one hundred years ago as the mainstay of the effort to oppose the iniquitous workings of an overliberal poor-law, construed on every occasion in favor of the idle and the shiftless and against the best interests of the self-respecting independent workman. It would be utterly impossible even to briefly review the long and honorable history of the British friendly societies, but a few observations may not be out of place if but to emphasize a vast and neglected field of social and economic research full of promise to the impartial investigator free from the bias of socialism and pseudo-social reform.

Probably the best general treatise on the subject is the English translation of a treatise by J. M. Baernreither on "English Associations of Working Men," published in London, 1893. Equally useful as a general introduction is the treatise on "Mutual Thrift," by the Rev. J. Frome Wilkinson, London, 1891. An earlier and extremely valuable work is "The History, Present Position, and Social Importance of Friendly Societies," by Charles Hardwick, London, 1859. Technically, "A Treatise on Friendly Societies," by Charles Ansell, London, 1835, is practically indispensable to those who would understand the long and arduous struggle from a condition of practically universal insolvency to a decidedly more satisfactory financial status more or less in conformity to the principles which underlie legal-reserve insurance. Of more recent date is a small treatise on "Provident Societies and Industrial Welfare," by Sir E. W. Brabrook, late Chief Registrar of Friendly Societies, London, 1898. Also of much technical value and most useful is a "Treatise on Friendly Societies, containing an Exposition of the True Law of Sickness," by Arthur Scratchley, London, 1859. One of the earliest references to friendly societies as a factor in the social economy of the British people occurs in "The State of the Poor," by Sir Frederic Morton Eden, London, 1797. Eden was one of the very foremost authorities on poor-laws in his day and the conditions favorable or otherwise to the social progress of the people. At about this time developed a considerable literature favorable to the formation of friendly societies as a safeguard against reliance upon the poor-laws, perhaps best illustrated by a small tract on "The Prevention of Poverty, by Beneficial Clubs," by Edward Jones, London, 1796. The Rev. T. R. Malthus, best known as the author of an essay on population, discussed in 1807 the proposals of Samuel Whitbread, which to this day rank among the classics of economic literature. Particularly suggestive is "An Appeal to the Public on the General Utility of Benefit Societies, Instituted by and for the Relief of Their Respective Members: Proving the Necessity of Securing Their Property by the Sanction of an Act of Parliament; with Remarks and Observations on the Present System of the Poor Laws," London, 1792. Of similar import is "A Proposal for Improving the System of Friendly Societies, or, of Poor Assurance Offices; and, by Increasing Their Funds, Rendering, in Process of Time, on the Principle of Accumulation, All Parochial Taxation for the Relief of the Poor Unnecessary," London, 1814. The author of this essay was Jerome Count de Salis. The essay includes rules of benefit societies, etc., reflecting the insurance knowledge of the period. One of the earliest works on friendly or benefit societies was a report, with that title, drawn up by a committee of the Highland Society of Scotland, including a statement of the law of sickness as deduced from returns of friendly societies in different parts of Scotland, rates of contributions for different allowances, etc. This report was published at Edinburgh in 1824, being generally considered one of the most important contributions to early friendly-society theory and practice. By about this time

some of the foremost actuarial ability of Great Britain was giving concern to the necessary improvements in friendly-society theory, one of the most important works being a series of "Tables Shewing the Amount of Contributions for Providing Relief in Sickness and Old Age, for Payments at Death, and for Endowments for Children," computed by John Finlaison, Government Actuary, London, 1833. Two years later there was published a "System of Accounts, Adapted to every Description of Benefit Societies," by Mr. R. C. Norman, examined and approved by Mr. Griffith Davies, a well-known actuary of the period, the book being published in 1835. Twenty years later John Tidd Pratt, the first Registrar of Friendly Societies, published his "Suggestions for the Establishment of Friendly Societies," including tables of rates of contributions, and reflecting the gradually increasing understanding based upon observed experience. Mention requires to be made of the important work by Mr. Francis G. P. Neison, Jr., whose contributions to vital statistics retain their value to the present day. Finally, I may refer to "Remarks and Suggestions on the Report of the Commissioners on Friendly Societies, and the Bill of the Chancellor of the Exchequer," by G. Poulett Scrope, London, 1874, introduced at the time for more effective government supervision and control.

In an excellent treatise on "Provident Societies and Industrial Welfare," Sir Edward W. Brabrook, late Chief Registrar of Friendly Societies, takes occasion to say "Friendly Societies can claim an even greater antiquity than Trade-unions. In their earliest form they were burial societies. . . . The oldest existing societies, founded in 1687, 1703, and 1708, are those which were founded among the refugee Huguenot workmen, etc. . . . Friendly Societies first appeared upon the statute-book in the year 1793, when an Act was passed for their encouragement and relief. The preamble of that Act affirmed that the protection and encouragement of such societies would be likely to be attended with very beneficial effects by promoting the happiness of individuals and at the same time diminishing the public burdens. . . . The Friendly Society has done so much for its members, and contributed so largely to industrial welfare by increasing their self-respect and independence—it has been so powerful an instrument of foresight and economy, and has led so many men to positions of influence and dignity—that it has strong and genuine claims upon the community, whose interests it has largely promoted. . . . There is no evidence whatever that the class of men from whom the members of Friendly Societies are drawn is the class of men who would otherwise be paupers. Such evidence as there is is all to the contrary. . . . The considerations which induce a man to belong to a Friendly Society are the same considerations which keep him independent of public aid in his old age."

This eloquent testimony in behalf of the social utility of friendly societies was ruthlessly scorned when compulsory thrift, under national health insurance, was forced upon British wage-earners as a poor substitute for voluntary thrift and voluntary enterprise.

These references will be sufficient for the purpose of illustrating the really extraordinary historical, technical and practical foundations upon which the modern structure of friendly societies was reared and to which is directly attributable the astounding success which had been attained by 1911, when the Government decided to replace voluntary thrift by compulsory contributions, and a simple but effective democratic form of self-management by a bewildering mass of governmental rules and regulations extending to the most minute affairs of the private life of the individuals concerned.

The evidence presented in the discussion following fully sustains the point of view that state interference has been of disastrous effect on the old friendly-society spirit and the character-building effect of a theory of mutual aid in all essentials infinitely superior to coercion and control on the part of the State. The results of the present investigation show that the friendly societies have reached a practically stationary condition and that about the only way to avoid complete absorption of them by the societies approved by the State is the employment of paid solicitors or collectors, paid visitors and paid officials, in place of the large amount of voluntary services rendered in response to a true fraternal spirit in the past. It is for American fraternal organizations to profit by the lessons of British experience and to oppose with all the powers they can command the insidious and un-American propaganda for the establishment of compulsory health insurance in this country. That this is the prevailing point of view among those who are most concerned with fraternal-society management is made evident by much that has been said or written on the subject, suggesting, however, the need of a much more comprehensive study of the question than has thus far been made. It is hoped that the present contribution to the literature of the subject will give furtherance to this purpose, while at the same time giving expression to the writer's profound conviction that among the institutions making for the social and economic betterment of our wage-earners none ranks above the friendly or fraternal societies, which hold together men of kindred spirit by an appeal to the highest sense of altruism that inspires the souls of men.*

*The following are the more important Parliamentary reports on friendly societies, the first of which was made as early as 1825: (1) Report from the Select Committee on the Laws Respecting Friendly Societies, July 5, 1825, (2) Report from Select Committee on the Laws Respecting Friendly Societies, June 29, 1827, (3) Report of Select Committee of the House of Lords on the More Effectual Suppression of Societies Established for Seditious and Treasonable Purposes, etc., Session 1847-48, (4) Abstract of Returns Respecting Friendly Societies, by Sir William Joliffe, November 29, 1852, (5) Copy of Report and Tables Prepared under the Direction of the Lord of the Treasury, August 1, 1853, (6) Further Report and Table Prepared under the Direction of the Lord of the Treasury by the Action of the National Debt Office, June 1, 1854, (7) Report from the Select Committee on the Friendly Societies Bill, July 3, 1849, (8) Report from Select Committee on Friendly Societies, June 25, 1852, (9) Report from the Select Committee on Friendly Societies Bill, July 26, 1854, (10) First Report of the Commissioners Appointed to Inquire into Friendly and Benefit Building Societies, London, 1871, (11) Second *ditto*, 1872, (12) Third *ditto*, 1873, (13) Fourth and Final *ditto*, Parts I and II, 1874, (14) Reports of the Assistant Commissioners on Friendly and Benefit Building Societies, Including Special Report on The Prudential Assurance Company, London, 1874, (15) Abstract of the Quinquennial Returns on Sickness and Mortality Experience by Friendly Societies, 1855-1875, Vol. I, August 20, 1880, (16) *Ditto*, Vol. II, July 17, 1896. In addition to the foregoing, annual reports of the Registrar-General of Friendly Societies have been issued for a long period of years, the earliest available to me dating from 1880.

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NATIONAL HEALTH INSURANCE AND THE FRIENDLY SOCIETIES

INTRODUCTION

National health insurance, or compulsory health insurance, as it is called in this country, rests, on the one hand, upon voluntary organizations administering sick benefits and, on the other, upon the voluntary cooperation of the medical profession administering medical benefits. The latter subject I have discussed on a number of occasions and more recently before the New Haven Medical Society, the New Jersey Medical Society, the American Institute of Homeopathy, the American Association of Industrial Physicians and Surgeons, etc. A discussion of the friendly-society aspect of national health insurance is more difficult, on account of the more restricted experience typical of Great Britain, for the fraternal societies of America have only to a very limited extent developed sick-benefit features, which in England as well as Scotland are practically universal. But it was upon the basis of the voluntary system of friendly societies in Great Britain and the corresponding mutual-aid institutions on the Continent that social insurance came into existence and made efforts compulsory which had theretofore been matters of voluntary exertion.

Compulsory Basis of Voluntary Effort

No adequate account is extant of the full extent of the friendly-society movement in Great Britain at the time when the National Health Insurance Act was passed, in 1911. It is probably a safe approximation to say that in 1910 registered friendly societies, excluding collecting friendly societies, had a total membership of more than 7,000,000 and funds of about £50,000,000. The law of 1911 was so framed that virtually the whole administration of the act was made to depend upon the so-called "approved societies," which represent existing institutions or new societies brought into existence largely in connection with the trade-unions, shop clubs and industrial insurance companies. These societies are allowed to transact, if they choose, both a voluntary and a state business. The word "approved" with reference to friendly societies is equivalent to the word "certified," or what in America would be understood as a certificate of authority from an insurance commissioner. The approval is based upon a general but fairly thorough inquiry, not concerned, however, effectively with the future solvency of the voluntary branch of the societies' work. As said in "Everybody's Guide to the National Insurance Acts, 1911-1913":

Parliament determined to call to its assistance in this matter the great friendly societies of this country; and it invited the creation of similar societies to perform its work. The Bill as originally drafted would have confined this task of collection and administration chiefly to the large friendly societies and trade unions, but in the course of the Committee stage the position was very considerably modified, . . . As the clause was drawn, competition for membership would have been confined to comparatively few societies; today any society fulfilling the simple requirements is entitled to enroll its members. There is no restriction in the matter; friendly societies, trade union societies, dividing societies, Holloway societies, industrial and co-operative societies are all able to become approved or rather "accepted" societies, provided they fulfil the requirements of the Act, and their constitution is approved of by the Commissioners.*

The most important provision relating to approved societies is the requirement that no society can be approved unless the constitution provides that no profit shall be made out of the money which is raised under the act, which must all be dispensed in benefits and cost of management. It is further required that "there must be complete and general self-government; the affairs of the society must be subject to the absolute control of its members, being insured persons, or, if the rules of the society so permit, of its members, whether insured persons or not; there must be provision for the election and removal of the committee of management or other governing body, in the case of a society managed by delegates elected by members, by such delegates, and in other cases in such manner as will secure absolute control by its members" ("Everybody's Guide," p. 209). This provision is usually made the basis for the argument that the control of the societies is thoroughly democratic and that national health insurance is therefore practically within the power of the membership or the contributors, according to the term used. This, however, is not the case, for, as a matter of fact, the real power of supervision, direction and control is exercised by the Government, and the rules and regulations concerning practically all essential details of administration originate with the Government and not with the membership or the officers in charge of the societies administering the act.

Progress of the Voluntary Movement

The act of 1911 did not come into existence in response to a demand on the part of friendly societies, which, in fact, at the outset were distinctly hostile to the proposed legislation. Nor is it true, as alleged by Senator Davenport, that "The Act was the result of a study by an English Royal Commission on Health Insurance in other parts of Europe that led Mr. Lloyd George to put this system in operation in England in 1911." There was no royal commission of inquiry, nor even an interdepartmental committee appointed by the Treasury. There was a Royal Commission on the Poor-Laws, which made an enormously detailed report in 1909, including some thirty volumes of evidence and exhibits, but there is nothing contained in these reports that offers national health insurance as a

*"Everybody's Guide to the National Insurance Acts, 1911-1913," Thomas Smith, London, 1914, p. 208.

solution of the problem of economic dependence or the relief of distress. Both the majority and the minority report of that commission considered exhaustively the medical needs of the poor, but neither recommends the German system as a solution, although the facts must have been thoroughly within the understanding of at least some of the members of that commission, particularly Mrs. Beatrice Webb, the distinguished author of numerous works on destitution and poor-relief.

Nor is there anything contained in the annual reports of the Registrar of Friendly Societies that could even by inference be construed as a recommendation of the German system to replace existing voluntary thrift functions in the United Kingdom. According to a return for the year ending December 31, 1909, the number of registered friendly societies, including medical societies and collecting friendly societies, was 29,399, with a membership of 13,976,870. The most recent return available is contained in the general report of the Chief Registrar of Friendly Societies for the year ending December 31, 1917, but the summary of statistics is only for the year 1916. The membership of all classes of registered friendly societies was 13,401,810. If, therefore, the year 1909, when the population of the United Kingdom was 44,519,000, is taken as a basis and compared with the year 1916, when the population was 47,661,000, there was an actual increase in population of 3,142,000 against a decrease in the membership of registered friendly societies equivalent to 575,060. Even granting possible deficiencies in the returns, it is safe to say at the present time that the friendly societies have reached practically a stationary condition, regardless of a very considerable increase in trade-union membership, on the one hand, and the number of policyholders in both industrial insurance companies and collecting friendly societies, on the other.* The return for 1916 gives the statistics for the collecting friendly societies, which increased their membership from 11,095,000 in 1912 to 13,218,000 in 1916, or about 19 per cent. The industrial insurance companies during the same period increased their premium income from £15,700,000 in 1912 to £17,800,000 in 1916, or 13.38 per cent. The ordinary insurance companies increased their premium income during the same period from £44,000,000 to £50,000,000, or 13.64 per cent. The evidence is therefore sufficient to justify the conclusion that the friendly societies under national health insurance have materially failed to make progress proportionately to the opportunities for voluntary thrift disclosed in the cases of other thrift agencies.

The Manchester Unity

It requires no extended research into the facts of friendly-society experience since 1911 to disclose widespread anxiety and discontent with the results. With admirable clearness and thoroughness the facts of the situation have from time to time been placed before the public through

*According to the official report for 1918, the friendly-society membership at the end of 1917 stood practically where it did in 1910 (p. iv).

the National Conference of Friendly Societies, which represents some six and a half million members, and the individual societies, particularly the great orders, such as the Manchester Unity, the Ancient Order of Foresters, the Hearts of Oak Benefit Society, which has the largest centralized organization, the Order of Druids Friendly Society, etc. The present view-point was summarized in a statement made by Brother J. R. Barley, P.G.M., at the High Court of the Ancient Order of Foresters on August 4, 1919, when he said that "there has been too much experimenting by the authorities in connection with State insurance; too much irritation; too much of a tendency to sap the vitals of voluntary insurance by needlessly monopolizing the time and energy of our officials for State purposes." It is said in the *Odd Fellows' Magazine* issued by the Manchester Unity, April, 1920, that "Mr. Lloyd George's National Insurance Act was vehemently opposed by a large section of the people of the country," and that "the whole medical profession was in open revolt against it," while "the great friendly societies were not altogether in sympathy with its provisions." And in an extended discussion in the same issue on centralization and other urgent measures of reform, the Deputy Grand Master of the order is quoted as having shown that "In the years since 1911, inclusive, the order had made a net gain of 131,000 members," but of this number only 11,000 were left, and that "If it had not been for the war, they would have been discussing this as the greatest problem in the Manchester Unity, and searching in every part of their constitution to find why it was the Unity was not attracting the young men." The real cause is not far to seek. No one is more familiar than the friendly societies with the truth that compulsory thrift is the antithesis to voluntary thrift and that if a state effort becomes dominant, voluntary enterprise must fall behind.

In a report on the tenth valuation of the Manchester Unity for the year ending December 31, 1918, it is said that "there is a further decline in membership, though a very slight increase in the income from contributions." Yet during the war the society had, on the whole, a favorable sickness experience among the civilian population and an increase in earnings from investments promising substantial results to the members on the forthcoming valuation. The average sickness cost during the pre-war period 1909-13 was 6s. 1.33d., against only 5s. 10.40d. during 1914-18. The heavy war liabilities, however, constitute a matter of serious concern, but the promise is held out that a part of the excess in mortality will be recovered through the war indemnity. It is estimated that the total number of lives lost through the war by societies which are members of the National Conference was 80,000, representing £865,000 in claims.

The Rational Association Friendly Society

An exceptionally interesting illustration is the experience of the Rational Association Friendly Society, originally established in 1837 and approved under the national insurance acts in 1911. This society increased steadily

in membership from 4,323 in 1860 to 57,409 in 1890 and 103,473 in 1912, since which date the condition has been practically stationary, but with a slight downward tendency, as shown below:

MEMBERSHIP OF THE RATIONAL ASSOCIATION FRIENDLY SOCIETY
1912-1919

1912	103,473	1916	91,092
1913	99,893	1917	89,347
1914	96,052	1918	89,990
1915	93,307	1919	89,569

There has therefore been an actual decline in adult membership on the voluntary side from 103,473 to 89,569 during the last eight years. In response to strenuous efforts, somewhat better results have been secured on the voluntary side with juveniles, the number of which has increased during the period under observation from 6,713 to 7,809. In the meantime the membership on the state or compulsory side has increased from 118,304 in 1914 to 125,976 in 1919. This society publishes annually an extraordinary amount of useful statistical data, including tables illustrating local sickness experience, etc.

Ancient Order of Foresters

The experience of other great orders has been much the same. At a recent meeting of the Ancient Order of Foresters at Dumfries,* the presiding officer, Mr. Irving Edgar, took occasion to say that he had "always claimed that through the National Health Insurance Act the Friendly Societies of Great Britain suffered a serious wrong," for, he pointed out, "they had all the machinery to have carried out health insurance without the crowds of officials who were now employed in the work"; and he held that "if the Friendly Societies had been more considered it might have been the beginning of making every worker in the British Isles a member of a Friendly Society." This statement evoked applause, being amplified by the following, which was also heartily applauded, as representing the views of those present:

> It did not matter what movement was set on foot, if it reached the Government —it did not matter what Government—it seemed to be the occasion for the creation of a crowd of officials of all kinds and descriptions. The machinery of the Friendly Societies was there ready to take up this work, and looking to the great benefit they had conferred on the community in ages past it was the duty of any Government to give them the right to carry out the good work they had begun.

This view is held widely on the part of those who have had the largest experience in friendly-society management. The Ancient Order of Foresters has a voluntary membership of 1,250,000, in addition to a state, or compulsory, membership of about 750,000. The High Chief Ranger, Brother D. Bertram, who was present, took occasion to say, in reply to the foregoing, that the voluntary membership of the Foresters had along with

*The Foresters' Miscellany, December, 1919, pp. 557-558.

that of other societies been falling back, although since 1912 the decrease had been somewhat checked. He attributed the decline in membership to the awful apathy that set in among members of friendly societies, but he failed to point out that in a large measure this apathy was a direct result of state insurance. He offered as a solution the employment of professional canvassers, a suggestion strongly opposed by those who believe that the great orders should attract their new members through the unpaid soliciting efforts of the old. For, as said by Brother William Harvey, on the same occasion, "No institution makes a stronger appeal to the imagination than the Friendly Society movement, which, if not in origin, at least in its great development, was a product of the time we call Victorian." While of the opinion "that if anything is to save National Health Insurance from becoming a great soulless machine it will be the revival of the Friendly Society spirit of brotherhood," all the indications, however, point in the very opposite direction, regardless of the efforts made to place this view-point before the public. At the High Court held at Norwich, one of the districts made a report in which it is said that "the decline in the membership during the past 12 or 13 years has been terrible; from a membership of nearly 10,000 we are now down to 4,400. Courts with 1,200 members ten years ago are down to 450."

Apprehensions Regarding the Future

In a report upon the National Conference of Friendly Societies held at Cardiff, Brother Herbert White, of the Manchester Union and Ancient Order of Foresters, introduces his remarks with the suggestion that the friendly-society movement must pull itself together, for, he said, "there was a tendency to forget guiding principles and so provide ready material for disturbing influences. Veterans in the movement bearing names familiar these many years were visibly disturbed and younger delegates could scarcely believe in the reality of what was happening. It would be difficult to find any who returned from their deliberations contented with the results. Fault is found with shirking the issue on the subject of State Aid to Voluntary Funds towards War Liability, concerning which there is a wide divergence of opinion opposed to harmony and good will."

Of more recent date is the significant address by Mr. Joseph Smith, presiding Grand Master at the Annual Conference of the Manchester Unity, held at Leamington (*National Insurance Gazette,* June 5, 1920), according to which there had been an increase in the adult membership of 12,096 and in the juvenile membership of 8,829, but these results were considered far from satisfactory, it being said with entire frankness that "one of the changes brought about by the Insurance Act had been that the old friendly feeling which often existed between the lodge and the doctor had gone. In its early days the doctor was nearly always a member of the lodge, but today it had become a mere business transaction, and the principal object of the medical profession seemed to be how much

could be got out of the transaction in the shape of £, s. and d. The panel patient of today was the club patient of yesterday, while the administration of medical benefit was but partially under the control of the people who found the money." This, in brief, is a frank admission of an attitude of hostility towards the medical profession and of the fact, however much denied, that the administration of approved societies is far from being democratic or within the exclusive power of the membership as is frequently alleged to be the case.

The views set forth may be said to represent the reasoned conviction of many who have given the matter thought. Much to the same effect were the proceedings at the Norwich High Court of the Ancient Order of Foresters, reported in full in the *Foresters' Miscellany*, September, 1919. Referring to the opposition of friendly societies' members to the proposed new legislation, the warning was uttered by the High Chief Ranger that

> You have to bear in mind the ill results ensuing from the opposition of the Friendly Societies to the Old Age Pensions and also to the National Health Insurance. We must not repeat those errors. Far better to support reasonable proposals such as those recommended by the National Conference and have some voice in their consideration, than to have it put forward that our vested interests are again in opposition to the interests of the nation as a whole.

In other words, a doctrine of political expediency is giving way to the more impartial view-point of those who are chiefly concerned with the perpetuity of the principles for which the great orders stand. Yet again and again the argument is advanced that "The time has come when we must seriously reconsider our position," for, he continues, "in my opinion we must take a leaf out of the Health Insurance book, etc." To much the same effect is the argument that "It is surprising how often the excuse has been advanced that the inception of the Insurance Act killed the Friendly Society movement," and "When all is said and done the Health Insurance Act is unique in one particular, inasmuch as it is an Act of Parliament mainly administered by the people for the people, and in which the members have a voice in its management." How far this voice really carried is made evident by a careful reading of the minutes of proceedings of meetings of conferences which generally escape notice. From quite another point of view, in a discussion on the finance of the order, a member from Cardiff brought forward the suggestion "that the time had come for them to declare that their voluntary funds should not be used for State purposes." There is a firm belief on the part of some who have considered the question seriously that the voluntary branches are made to sustain the state work and that services of pecuniary value are frequently rendered to the state section for which no adequate compensation, if any, is paid. The strong agitation of late on the part of those employed in administering national-health-insurance benefits and the claim that they represent the worst form of "sweated" labor are but two of the many

indications of a condition of unrest which can not be to the advantage of the friendly-society movement in its proper form.*

Hostility to Compulsion

In a discussion of state insurance on the third day of the High Court, reference was made to an earlier expression uttered at the time of the inception of the act, that it would be the "death knell of the Friendly Societies," and a member from Sheffield rose to say that "he had never been in favor of the National Insurance Act, and had always been of the opinion that it was the duty of the State to promote the healthy condition of all living in the State, and that it was the duty of the individual to get a requital from his labor that would enable him to live in peace and comfort. Ninety-nine per cent. of the working classes of Britain had made provision for the time of sickness, and there never was any need whatever for the giving of monetary benefit in the form of National Insurance. Had the agitation for a Ministry of Health taken place then, and the leaders of that time confined themselves to the building up of the healthful conditions of the people there would have been less trouble than there had been since." This argument concluded with the statement that "The Insurance Bill when brought into the House absolutely said within its own text that it was for the abolition of Friendly Societies," and the speaker said he "desired to express his abhorrence of the Insurance Act," and his belief "that if the Premier had his way he would wipe Friendly Societies out today."

In a debate upon the proposed increase in national-health-insurance benefits, which was strongly opposed by many of those present, but strongly favored by others, it was pointed out that if the benefits were increased as suggested this would stop the growth of membership, and that it would be much better to "go back to their various organizations still maintaining the character of the fine old principles of self-reliance, making good in their voluntary institutions the principles for which they stood." Another member, however, rose and said that "they had got the Insurance Act with them, and must make the best of it." That is precisely the feeling that is growing, for, as has been said by the President of the German State Insurance Office, "when one has said 'A' in Compulsory Insurance, one must say 'B' and 'C' and 'D' and so on all through the alphabet."

*One important fact in this connection is the relatively small membership of approved societies managed by trade-unions. According to the First Annual Report of the Ministry of Health, for the half-year ended July, 1918, the total membership in approved societies in England alone was returned as 12,190,607, of which only 1,192,920 were members of trade-union approved societies. A strong conflict of interest developed during the recent Parliamentary discussion of unemployment insurance, under which friendly societies were originally debarred from participating, but subsequently were provided for by an amendment, which finally, however, was rejected. In this discussion the hostility of friendly societies to trade-unions became manifest, and it was argued that an agreement should be arrived at under which trade-unions would cease to administer health insurance, in return for an agreement of friendly societies to leave alone the unemployment branch of Government insurance. The antagonism which developed is so much more regrettable since both forms of associations have their ends and aims in common, and, as a matter of fact, practically all the members of trade-unions are members of friendly societies as well. It is the state aspect and the element of compulsion which primarily complicate the situation.

Decreasing Membership

Alarmed at the decrease in adult membership, the Chief Ranger referred to the fighting attitude which the order had had to adopt to maintain itself, and the editor of the *Miscellany*, Brother Dingle, referred to conditions at Bristol, pointing out that among 609,843 members there had been a decrease during the two years of 21,500. A member from Sheffield took occasion to point out that during twenty years there had been an increase in membership in five years only, and he therefore urged the employment of paid canvassers and collectors. A member from Plymouth said "The decrease still went on, and it was high time they did something, not only to stop the decrease, but to bring about an increase." Other members took occasion to observe that, perhaps, the alternative would be to make the order a collecting society within the meaning of the act.

Evidence like the foregoing can be derived from practically every official publication of the numerous friendly societies, large and small, throughout the United Kingdom. From every source comes the complaint of apathy and indifference to the real interests of the orders and the growing insistence upon increased material benefits as a matter of prior consideration. I conclude these observations with an extract from a letter by William McKay, contributed to the *Hearts of Oak Journal*, April, 1920, with reference to the winding-up of a branch of the order at North Peckham in February, reading, in part:

> It was found that the cause of death was "apathy" due to contributory negligence on the part of the members residing in the district, and that the same were deserving of censure. . . . No wonder when old members get together the question goes forth: "Is the old friendly spirit dying?" I am inclined to answer "Yes, from the same complaint as our association, apathy." And this view is strengthened when we know the number of applications made at headquarters for the Blue Book. To my mind there is nothing more eloquent than this.

The Approved Societies

The approved societies are an integral part of national health insurance, but no particular group of societies or interests predominates, all being subject primarily to the dictatorial powers of the Government. The complexity of the system under which approved societies are supervised, directed and controlled is such as to absolutely preclude a satisfactory presentation with the required brevity. For the information of those concerned with the management of the societies, there has been published a handbook for the use of England and Wales, there being different issues for Scotland and Ireland, which makes a volume of 286 pages, with a supplement, to the end of 1918, of 101 pages. An elaborate treatise on "National Health Insurance Through Approved Societies," by Mr. W. Addington Willis, emphasizes the utter hopelessness of a full grasp of the multiplicity of the details without actual administrative experience. The work by Mr. Willis is a volume of nearly 500 pages, but it is merely an introduction to a literature of truly enormous extent. The number of cir-

culars, leaflets, forms, blanks, etc., which bear upon the approved societies alone is legion. Hardly has the system adapted itself to one set of statutory requirements when new legislation is enacted, introducing fundamental and often decidedly far-reaching changes. The work of approved societies has for more than a year been a subject of extended discussion in all matters of detail in a series of articles by F. F. I., contributed to the *National Insurance Gazette.** These articles, better than the official handbook and circulars, illustrate the involved administrative aspects, to which practically no attention is ever directed in this country. By utilizing existing thrift institutions or the voluntary branches of insurance the question of the administrative expense involved has been hopelessly confused; but, as has been said at the High Court of the Ancient Order of Foresters, "The time had come for them to declare that their Voluntary Funds should not be used for State purposes."

The general administration of approved societies may be briefly described as follows, subject to the understanding that the supervision of the scheme of national health insurance is, under the National Health Insurance Act, vested in the Health Insurance Commissioners, now the Ministry of Health. It is said, in the Official Handbook for England, that

> The National Insurance Acts do not, however, contemplate that benefits shall ordinarily be administered to insured persons by the Commissioners. They provide for insured persons grouping themselves into self-governing Societies responsible for the administration to the members of the benefits provided by the Acts and thus acting as the channel through which the members' benefits will be received.
>
> A Society desiring to take part in the administration of the Acts, therefore, draws up a code of rules showing the conditions on which it will admit insured persons as members and the manner in which the Society will be governed, and setting out the position of the members under the National Insurance Acts.
>
> These rules are submitted by a Society to the Commissioners, who, after such inquiries as they may think necessary as to the competence of the Society to undertake the administration of the Acts, and if they are satisfied that the rules make proper provision for such administration, grant approval to the Society. Insured persons have free choice as to the Society which they shall join, and by applying for admission to the Approved Society of their choice they undertake to be bound by its rules. The Society by admitting them to membership makes itself responsible for looking after their interests and for seeing that they receive the benefits to which they are entitled under the Acts.
>
> The primary purpose of an Approved Society is, therefore, to see that its members obtain the benefits to which they are entitled, and all the administrative machinery described at length in this Handbook is designed to help Societies to achieve this purpose in a prompt and efficient manner.
>
> Insured persons under the National Insurance Acts fall into a number of different classes, and the rate of contribution payable, and the benefits receivable, and the conditions attached to the receipt of benefits, differ for these different classes.

*These articles have been continued to the present period. They present a wealth of practical information, which it would be utterly impossible to present, even in outline, with the required brevity. The articles analyze the act in its relation to approved societies, section by section, with full explanation based upon actual experience. But, comprehensive as these articles are, they fail in dealing with the financial experience of approved societies in matters which certainly require priority of consideration in discussions of compulsory health insurance in this country. Unfortunately the annual reports of the Ministry of Health and of the former insurance commissions fall as conspicuously short in this respect as the theoretical discussions of the practice and the law of approved-society administration.

The divisions of administration concern (1) constitution and government, (2) membership, (3) contributions, (4) benefits, (5) special classes of members, (6) arrears, (7) finance, (8) miscellaneous. In so far as this is practicable these subdivisions will be briefly considered as illustrations of the artificial nature of an arrangement which must necessarily mean, as is often claimed, the decay of the true friendly-society spirit.

The power of approval fundamentally controls the organization and functions of the approved society, and to that extent the so-called "democratic self-management" is largely illusionary. The centralized administrative control extends to minute provisions which have given rise to countless circulars and explanations. For illustration, the duties of the chief officer are minutely defined in sixteen sections, with supplementary rules and regulations governing the remuneration of officers, the holding of meetings, the settlement of disputes, etc. Broadly speaking, however, the power of control is similar to the supervision exercised over friendly societies through the Chief Registrar. Model rules have been published for the guidance of different types of friendly societies, all of which clearly illustrate that the self-control of management in matters essential to business conduct has practically been taken away and that the chief responsibility for administrative efficiency now rests upon the State.

Classes of Membership

The conditions of membership include (1) contract of membership, (2) eligibility for membership, (3) conditions arising out of going out of insurance, (4) normal occupation (that is, questions connected with persons who are normally employed, meaning that an insured person "shall be deemed to continue to be an employed contributor notwithstanding that he is temporarily unemployed for a period not ordinarily exceeding or extending beyond twelve months"), (5) termination of membership (in connection with which it may be said that "in the great majority of cases a member of a Society will only leave if he is transferred to another Society," but any insured member may be expelled, but before this course is adopted it must be clear that the expulsion in a particular case is authorized by the rules; furthermore, it must be kept in mind that an insured person does not cease to be a member of his Society by reason of his ceasing to be insured; unless he withdraws from the Society in accordance with its rules or being still employed, in the meaning of the Acts, obtains a Certificate of Exemption"), (6) classes of members (of which there were originally twenty-three, but which, under the law of 1918, have been reduced to eight). As a matter of convenience the classification as at present in force is given as follows:

CLASSES OF MEMBERSHIP IN APPROVED SOCIETIES

Class	Description	Rate of Contribution Pence
A	Men employed contributors	7
A (M)	Men employed on foreign-trade ships	6
B	Men in navy, army or air forces	3
C	Men voluntary contributors	7*
E	Women employed contributors	6
E (M)	Women employed on foreign-trade ships	5
F	Women voluntary contributors	6*
K	Women entitled to special benefits on or after marriage	Nil

The rates of contribution as given in this table no longer apply, on account of the increase in the contributions under the amended Act of 1920, but the principle remains the same.

The foregoing considerations have reference only to general conditions of membership. Other questions which relate to the membership of approved societies, particularly transfers and the keeping of membership registers, are too complicated to admit of discussion on the present occasion.†

Sickness Benefits

It is equally difficult to deal briefly with the subject of contributions. Official discussion divides this larger question into (a) contribution cards and insurance books, (b) rates of contributions, (c) refund of contributions, (d) contribution registers for employed contributors, (e) contribution registers for voluntary contributors. Here again the discussion is complicated by recent changes in the law, under which the general rates were increased to 10d. a week for men and 9d. a week for women, of which in ordinary cases the employer is required to pay 5d. a week, while the contributor or insured person pays 5d. a week, if a male, and 4d. a week, if a female. The rate of contribution varies for low-wage earners and for Ireland. All the details are given in Appendix A. The refund of contributions and the keeping of registers are technical questions which do not seem to fall within the present discussion.

The most important practical aspect of national health insurance concerns the payment of benefits. These, briefly, are divided into (a) sickness benefit, (b) disablement benefit, (c) maternity benefit, (d) medical and sanatorium benefit, (e) medical treatment of uninsured members, (f) keeping of benefit registers, sickness and disablement records, etc. The official text regarding the different classes of benefit takes up some seventy

*If a voluntary contributor, the insured is not entitled to medical benefit, the rate of contribution is reduced by 1½d.

†The question of index registers has been made the subject of a full discussion by Mr. Thomas S. Haran, in "An Index Register Manual," published by Wright, Murray & Co., Wishaw, Scotland, 1919. This is an admirable contribution to the detailed study of the act essential to a full understanding of the multitudinous provisions, all more or less modified or amplified by special rules and regulations. Of further value in this connection are Memorandum 144, I.C., of the Irish Commission on Administrative Procedure in connection with the Index Register and Finance, and Memorandum 164, I.C., of the same commission, on Procedure for Dealing with Notifications by Societies of Changes Affecting Index Registers. Corresponding publications have been issued by the National Health Insurance Commissions of England and Scotland.

pages of the Handbook, aside from important modifications in the laws passed subsequently to 1915. Nothing could better illustrate the extreme complexity of national health insurance and its numerous burdensome provisions than the painstaking analysis of the different provisions relating to the different classes of benefits made necessary in the light of actual experience. The following is an outline of the subjects considered in connection with sickness benefits only:

ANALYSIS OF SICKNESS BENEFIT QUALIFICATIONS

Eligibility for Benefit

Waiting Period	Confinement
Qualifying Contributions	Late Entrants
Residence	Out of Insurance
Arrears	Suspension for Offences
Persons Receiving Compensation	Rate and Commencement
Total Disablement Pensions	Linked-up Sickness
Persons in Hospitals, etc.	Certification

This analysis of the elements of sickness benefits is amplified by the following analysis of the main features and the procedure under the scheme, including exceptional cases and the problem of incapacity, given as follows:

ANALYSIS OF MAIN FEATURES OF SICKNESS-BENEFIT ADMINISTRATION

Main Features of the Scheme
- Forms of Certificates
- Dating of Certificates
- Description of Cause of Incapacity
- Uniformity

Procedure Under the Scheme
- First Certificate and Notice of Sickness
- Second Certificate (Intermediate or Final)
- Further Intermediate Certificates
- Declaration by Insured Person
- Final Certificate and Declaration-off
- Necessity of Care as to Final Certificates
- Remarks by Doctor

Procedure in Exceptional Cases
- Patients seen after the Commencement of Incapacity
- Certificates in Cases of Prolonged Incapacity
- Certificates in Respect of Patients Away from Home
- Certificates in Respect of In-Patients of Institutions
- Certificates in Respect of Out-Patients of Institutions
- Certificates in Cases Where Benefit Is Not Claimed

Description of Cause of Incapacity
- Ordinary Cases
- Exceptional Cases
- Special Procedure for Exceptional Cases
- Difficulties of Early Diagnosis
- Precision in Naming Cause of Incapacity
- Complaints Regarding Certification
- Certificates from Doctors Attending Members in a Private Capacity

Payment of Claims

In addition to this formidable array of details, each and every one of which is subject to a multitude of special rules and regulations, are the important questions of treatment of claims and the employment of sick-visitors, medical referees and the actual payment of the benefit. It would obviously be quite out of the question to discuss, even very briefly, these different features of sickness-benefit administration, but I include the following official observations with regard to the payment of benefit, as given in the "Handbook for Approved Societies" (English edition), pp. 103-4:

PAYING THE BENEFIT

The three important considerations in this connection are security, expedition, and economy; in other words, that the right person should get the money, that he should get it without inconvenient delay, and that the Society should spend as little as possible in getting it to him.

Where the Society has sick visitors or local agents, it is desirable on all grounds that they should be utilized to carry the benefit in cash to the person entitled to it. The cost of postage and of postal orders is saved, and, if the sick member is known to the agent, the danger of the money going astray is minimized.

In many cases, especially in that of small Societies, where every member is known personally, administration expenses can be kept down by encouraging members who have made claims to send some one to fetch the money. Great care is, of course, necessary to see that the bearer is a properly authorized person. *A receipt* must at the time of payment be obtained from the sick member, or from a responsible person on his behalf, for any money paid by a Society.

Where the money cannot be paid in person, it must be sent by post, and it may be convenient to use either (a) receivable order cheques—i.e., cheques bearing a receipt on the face; or (b) postal drafts, if the necessary permission of the Commissioners is obtained. As regards receivable order cheques, the signed receipt will not, of course, be returned to the Society directly by the member, but through the bank on which it is drawn, and if the use of the cheques presents difficulties, in special cases it may be necessary to use postal orders. The Commissioners are prepared to consider applications from Societies which pay a considerable number of benefits through the post for permission to use postal drafts for the purpose on certain specified conditions. Full particulars can be obtained from the Commissioners on application.

All Societies are required to pay sickness benefit for fractions of a week. Most Societies have undertaken to pay a sixth of the weekly sum in respect of each week-day on which the man is ill. Thus, if a man at the 10s. rate falls ill on Sunday (not being a day on which he would have worked) and goes back to work on Tuesday week, the Society will, if the sickness is not a "linked-up" one, pay 1/6 of 10s. for Thursday (the fourth day of incapacity, including Sunday), 1/6 for Friday, 1/6 for Saturday, nothing for Sunday, 1/6 for Monday, and nothing for Tuesday, the day on which he goes back to work. He thus gets 4/6 of 10s., or 6s. 8d. Whether a Society pays in this way 1/6 of the weekly sum for each week-day, or 1/7 for each day (week-day or Sunday), depends upon its rules. This is a different question from that of reckoning Sunday as one of the three waiting days.

Where a member dies before he has received payment of any benefit to which at the date of his death he was entitled, the money should be paid over to his executors or other legal representatives.

The foregoing fails to convey a clear understanding of the enormous practical administrative difficulties which have had to be overcome to meet

the often conflicting view-points of the insured person, the approved society and the insurance committee. The question of certification alone would be well worth a separate and extended discussion. The rules issued in connection with a new system of medical certification of incapacity for work of the insured person make a treatise of fifty-seven separate sections any one and all of which are of essential importance.* A circular explaining the system was issued by the Insurance Commission of Scotland under date of December 11, 1914, given in full as Appendix B. This circular of the National Health Insurance Commission of Scotland was amplified by a supplementary document on the Supervision of Claims for Sickness or Disablement Benefit, reprinted as Appendix C. Subsequently there was issued a supplementary circular with reference to Certificates from Doctors Attending Members in a Private Capacity, reprinted as Appendix D. These documents but inadequately convey the involved nature of the case. To make this aspect of the discussion as complete as possible, there has been reproduced as Appendix E the official certificate, obverse and reverse, as used at the present time and the official notification card of incapacity for work, given as Appendix F.

It would be quite impossible to give even this single aspect of national health insurance full consideration, but there is included in the present discussion a copy of a circular on Medical Certificates issued by the Royal Liver Friendly Society, National Health Insurance Section, dated December, 1914, given as Appendix G. In addition, as bearing upon the broader aspects of the question, there is included an extended article from *The Lancet*, on "Medicine and the Law," from the issue of November 1, 1919, given as Appendix H.

The disability benefits are considered under the following subdivisions: (1) eligibility for benefit, (2) rate, commencement and duration, (3) receipt of claim, (4) payment of benefit. In short, the treatment is quite similar to that of medical sick-benefit payments, and both being monetary benefits, truly momentous questions are involved in the proper methods of administration, and it is probably safe to assert that this department of national health insurance has been perfected to a high degree of administrative efficiency.

Maternity Benefit

The following is an outline of the elements of maternity benefit, which, originally amounted to a payment of 30s. in the event of a confinement

*Among the more important official publications on certification are the following: (1) Memorandum 211 I.C., "New System of Medical Certification of Incapacity of Insured Persons for Work," December 3, 1914, (2) Memorandum M.C.I., "Instruction to Medical Certifiers," issued by the Irish Insurance Commission, (3) List M.C.I., "Names and Addresses of Medical Certifiers under National Insurance Acts," issued by the National Health Insurance Commission of Ireland, January, 1916, (4) Circular 607, "Certification of Incapacity for Work," of the National Health Insurance Commission of Scotland, (5) Circular A.S. 161, "Certificates from Doctors Attending Members in a Private Capacity," issued by the Insurance Commissioners for England, Scotland and Wales, (6) Form Medical 33, Scotland, "Medical Certification Rule No. 8, and Special Final Certificates in Certain Rural Areas," September, 1915, (7) Circular 642 A.S., "Rules on Behaviour During Illness," issued on behalf of the Insurance Commissioners of England, Scotland and Wales, (8) Circular A.S. 646, "Medical Certification," issued by the National Health Insurance Commission of Scotland, June 9, 1916.

of the wife of an insured member or of an insured person on her own account, if an employed contributor.

ANALYSIS OF MATERNITY BENEFIT

- Eligibility for Benefit
  - Waiting Period
  - Qualifying Contributions
  - Residence
  - Arrears
  - Persons in Hospital
  - Provisions of Midwife or Doctor
- Husband's and Wife's Benefits, etc.
  - Proof of Marriage
- Payment of Benefit

Under the law of 1920, however, maternity benefit has been increased to 40s., but otherwise no material changes have been introduced. The subject itself is complicated by the larger question of maternity and child welfare so as not to admit of extended discussion at the present time.

Medical and Sickness Benefit

Medical and sanatorium benefits are considered together, and invariably under (a) general questions, (b) steps to be taken by the society and (c) steps to be taken by the member. To dispose in less than six pages of all that is involved in a satisfactory arrangement for the administration of medical and sanatorium benefits makes it self-evident that the prior concern of the act is the payment of money benefits and not, as is frequently alleged and as was implied in the preamble of the act, "the prevention of disease and the treatment of the sick." It may not be out of place in this connection to quote the official view-point that "Approved Societies are only indirectly concerned in the arrangement for the administration of medical and sanatorium benefit. Primarily the administration of such benefits rests with the Insurance Committee of the area in which the member resides. Societies, however, have certain duties in the matter, and the Society's Secretary should, moreover, be well acquainted with the general procedure." As a matter of fact, the societies realize that they play merely a secondary role in a matter of the utmost concern to the insured. The law reads: "Medical benefit consists of such treatment as can consistently with the best interests of the patient be properly undertaken by a general practitioner of the ordinary professional competence and skill." It includes the provision of proper and sufficient medicines and such medical and surgical appliances as are prescribed by the Regulations of the Commissioners. All of this is very indefinite, for the questions which have arisen under this provision go to the very root of all that concerns medicine as a healing art in its relation to the welfare of the patient, as well as to that of the community, since the treatment consistent with the best interests of the patient can not be decided otherwise than by the results. No efforts have been made to ascertain the

results of panel practice and no analysis has been undertaken of the sickness experience of particular areas with a due regard to different types of panel practice, large and small. The provisions quoted, however, make it entirely clear that the approved societies have only a slight direct interest in the efficient administration of medical benefit and practically no voice in the arrangements made between the doctors and the patients or between the associated panel doctors through the British Medical Association and the Government. It is true that the approved societies are represented on the insurance committees, but any one familiar with the negotiations which have taken place between the Insurance Acts Committee of the British Medical Association and the Government can not but be aware of the fact that the direct influence of the approved societies in these matters has been very slight.

Sanatorium benefit is defined as consisting at present "of treatment in a sanatorium or other institution *or otherwise* when a member is suffering from tuberculosis. Every member of a Society, except a Navy or Army contributor, is entitled, as soon as he becomes a member, to medical benefit, and to sanatorium benefit if recommended for it by the Insurance Committee." A careful reading of this provision clearly emphasizes the insincerity of the pretense of adequate sanatorium treatment in the accepted sense of the term. Sanatorium treatment as held out to insured persons is not granted as a right, but as a privilege, and in each and every case a special inquiry is necessary to establish the eligibility of the insured to the treatment, particularly if available in approved institutions. The words "other institution or otherwise" have led to rank discrimination in favor of domiciliary treatment, never originally within any accepted definition of sanatorium treatment or institutional treatment under special conditions suitable to the needs of the tuberculous patient. It may be questioned if there is a more conspicuous instance of makeshift legislation than this, and that the experience which has been had should therefore have been totally unsatisfactory was a foregone conclusion. This has now been frankly conceded by the Government, which in the amended Bill for 1920 provides for the discontinuance of sanatorium benefit under national health insurance and the transfer on January 1, 1921, of all present arrangements to the local authorities, and with regard to this important matter, which vitally affects a large portion of the insured population, no qualified expression of opinion of the approved societies, individually or collectively, was asked for by the Government.

Rules of Conduct

I shall have to pass over the technical aspects of benefit registers, benefit pockets and sickness and disablement record cards, which, however, are practical administrative questions of considerable importance to those who may wish to give attention to the problems which will demand solution in the event that any system of health insurance should be estab-

lished in the country. It will be of interest, however, to include here the rules printed on the medical card for the information of patients, which read as follows:

(a) He shall obey the instructions of the practitioner attending him.

(b) He shall not conduct himself in a manner which is likely to retard his recovery.

(c) He shall not make unreasonable demands upon the professional services of the practitioner attending him.

(d) He shall, whenever his condition permits, attend at the surgery or place of residence of the practitioner attending him on such days and at such hours as may be appointed by the practitioner.

(e) He shall not summon the practitioner to visit him between the hours of ..... p. m. and ..... a. m.,* except in cases of serious emergency.

(f) He shall, when his condition requires a home visit, give notice to the practitioner, if the circumstances of the case permit, before ..... a. m. on the day on which the visit is required, except in cases of accident or emergency.

These rules are typical of the German system, which also consists chiefly of regulations, positive and negative, or what the insured *shall do* and what he must leave undone. There is an additional regulation, reading that "Any complaint by an insured person, which is adjudged by the Committee to be frivolous or vexatious, shall be regarded as a breach of their Rules." Even though in actual practice this rule may not be enforced, it is nevertheless a threat that sick members must use every precaution not to raise questions of conduct, particularly on the part of the attending physician, which may not bear critical investigation. Failure to observe the foregoing rules "may entail penalties of a fine (not exceeding 10s., or in the case of repeated failure 20s.) or of suspension from benefit for a period not exceeding one year." Considering that sick persons are often but partly responsible for their actions, the foregoing rule can be construed only as a typical instance of bureaucracy carried to the extreme.

It remains for me to refer, briefly, to the medical treatment of uninsured persons, concerning which it is said:

The Acts contain special provisions relating to the medical attendance and treatment of a certain class of *uninsured* members of Societies.

These provisions are as follows:

(1) A Society is entitled to make arrangements with Insurance Committees by which medical attendance and treatment can be obtained on the same terms as to remuneration as those for insured members for any members not insured under the Acts who were members of the Society on the 16th of December, 1911, and were not able to become insured by reason of being permanently disabled.

(2) Whether arrangements for the medical attendance of such members are made through the Insurance Committees, or directly by the Society itself, a Society may claim a grant from the Exchequer of 2s. 6d. a year per member towards the cost. Societies desiring to claim this grant should apply to the Commission for special forms of claim.

This section is of very considerable practical importance. It foreshadows the possibility of the universal extension of government control

*The hours fixed by the Insurance Committee for the area will be inserted on the Medical Card.

in matters which are now more or less exclusively of private concern. The demand is increasing for the inclusion of dependents within the provisions of the national insurance acts. In Germany a separate payment is made on account of such members, and having the authority it is only a question of time when the Government may yield to the request to include what would constitute the larger portion of the population, or practically all the women and children, other than those who are now employed contributors. But nothing could be more convincing that the act is primarily one of relief and amelioration, rather than insurance, than this frank admission that uninsured persons may be provided for under a plan of insurance ostensibly democratic and cooperative, though far from being in conformity to fundamental theories of insurance or contributionship.

Voluntary Membership

Section V, for special classes of members, concerns (a) aliens, (b) married women, (c) the mercantile marine, (d) navy and army members, (e) special members and (f) voluntary contributors. The last group is now no longer of any practical importance, having never, in fact, been connected with a determined effort to further develop the voluntary-thrift function among the state-insured population. Since an extended discussion of this feature is out of the question, I can give for the present purpose only the statement in regard to it that occurs in the official Handbook for the use of approved societies, which includes, also, the conditions of eligibility for voluntary insurance, the contributions and the benefits.

ELIGIBILITY FOR VOLUNTARY INSURANCE

Only certain persons can become voluntary contributors, and it is the duty of Approved Societies, before admitting persons to membership as voluntary contributors, to satisfy themselves that the applicants are really entitled to become voluntary contributors.

A person is not ordinarily eligible to become a voluntary contributor unless he possesses the following qualifications:

(a) He must be between the ages of 16 and 17.

(b) He must not be employed within the meaning of the Acts.

(c) He must be engaged in some regular occupation on which he is wholly or mainly dependent. A person cannot be considered as "mainly dependent" on his earnings unless more than half of his income is earned.

(d) His income from all sources must not be greater than £160 per annum. It should be noted that income which is not earned from the occupation must be taken into account for this purpose.

There are two further classes of persons who are qualified to be insured as voluntary contributors:

(1) Persons who, being of the age of 60 or upwards, cease to be insurable as employed contributors and desire to remain in insurance (subject to condition (d) above).

(2) Persons who have been insured for a period of five years or upwards.

Among the kinds of persons who may be voluntary contributors may be mentioned:

A. Persons not employed under contract of service, e.g.:

Shopkeepers;
Dressmakers working at home;
Small tradesmen;
Teachers, Tutors, Nurses } working independently;
Farmers;
Market gardeners;
Persons who let lodgings.

B. Persons excluded under Schedule I, Part II, absolutely, e.g.:

(1) Agents not paid by salary and not mainly dependent on one employer.

(2) Casual employees not employed for trade or business of employer.

(3) Teachers under the Elementary School Teachers' Superannuation Act, 1898.

C. Persons excluded by any Order or Certificate which has been issued under Schedule I, Part II, e.g.:

Established employees of the Crown, and employees of certain Local or Public Authorities, or of certain Railway Companies.

(In regard to alien voluntary contributors, the provisions of Section 45 should be carefully kept in view.)

Contributions

Four cases of voluntary contributors should be noticed:

(a) Entry into voluntary insurance before the 13th October, 1913.

(1) Under 45 at date of entry.....Flat Rate.

(2) 45 or over at date of entry.....Special Rates.

(b) Entry on or after 13th October, 1913.

All ages.....Special Rates.

(c) If the voluntary contributor has been an employed contributor for five years or more, then the rate continues to be the employed rate already payable, whatever the age at entry into voluntary insurance.

(d) If a person becomes a voluntary contributor in virtue of being sixty years of age or upwards, and having ceased to be insurable as an employed contributor, then the rate continues to be the employed rate already payable.

Contributions are not payable after 70 years of age.

A widow suspended under Section 44 during marriage, who was an insured person before marriage, and becomes a voluntary contributor (as a member of an Approved Society) within one month after her husband's death pays at a rate corresponding not to her age at the date of so becoming a voluntary contributor, but to her age at the date of her original entry into insurance.

Benefits

The benefits for voluntary contributors are generally the same as for employed contributors who entered into insurance prior to 13th October, 1913, and the State pays 2/9ths (or 1/4) of the cost of benefits. The following points in regard to these benefits should, however, be noted:

(a) The reduction of sickness benefit for unmarried minors applies. The provision authorizing modification by the Society if sickness or disablement benefit exceeds two-thirds the wages or remuneration also applies.

(b) The waiting period for maternity benefit is 52 weeks, and 52 contributions must have been paid; instead of 26 weeks and 26 contributions, as for the employed person.

(c) Arrears accrued in the first year of the Act *do* count against the voluntary contributor.

Medical Benefit.—If a voluntary contributor's income from all sources exceeds £160 a year, he will not be entitled to medical benefit. As he will be getting less benefits from the State Scheme, his rate of weekly contribution, whatever it may be, is reduced by one penny. As no person whose income from all sources is over £160 a year can be a voluntary contributor unless he has been in insurance for five years, the effect of this provision cannot be felt before 15th July, 1917.

Transfers from the voluntary to the employed rate and *vice versa* are dealt with in paragraphs 195 and 196. In cases where notice of transfer is given in the form set out in paragraph 195, the member is treated as a late entrant, i. e., sickness benefit is reduced to the rate appropriate to an age of entry into employed insurance the same as his age at the time of change. . . . There may, however, be an addition made to the sickness benefit representing the value of the contributions paid up to the date of becoming an employed contributor.

These provisions have been altered slightly by the laws of 1918 and 1919, but the changes do not affect the principle, which only is under consideration at present.

The number of voluntary contributions is not known, but it is not large; in fact, very little is heard of the voluntary contributor, and it is rarely that any reference is made to voluntary contributions in technical discussions of the subject. No reference to the voluntary contributor occurs in the painstaking analysis of the operation of the National Insurance Acts issued as a special supplement to the *New Statesman* in 1914. It may therefore safely be asserted that as an encouragement to voluntary thrift the act has been a conspicuous and lamentable failure.*

Arrears and Forfeitures

The problem of arrears is also entirely too technical to admit of an extended discussion. The general outline of the elements of this question is presented in the following analysis of the arrears question.

ANALYSIS OF ARREARS

I. Employed Contributors
- (i) Calculation of Arrears
- (ii) Paying off Arrears
- (iii) Reduction of Benefits owing to Arrears

*The most convenient official sources of information on national health insurance are the following: "First Annual Report on the Administration of the National Health Insurance Acts, Part 1," London, 1913, Cd. 6907 (price, 2s. 9d.), "Second Annual Report on the Administration of the National Health Insurance Acts, 1913-14," London, 1914, Cd. 7496 (price, 2s. 5d.), "Third Consolidated Report on the Administration of the National Health Insurance Acts, 1914-17," London, 1917, Cd. 8890 (price, 1s. 6d.), "First Annual Report of the Ministry of Health, Part IV, Administration of National Health Insurance, 1917-20," London, 1920, Cmd. 913 (price, 1s.), "First Annual Report of the Scottish Board of Health," London, 1920, Cmd. 992 (price, 3d.), "Appendix to the First Annual Report of the Scottish Board of Health, 1919," London, 1920, Cmd. 992 (price, 3d.).

Of value in this connection is the "First Annual Report of the Chief Medical Officer of the Ministry of Health, 1919-20," Cmd. 978 (price, 3s. 6d.). Indispensable is the "Handbook for the Use of Approved Societies," English edition, London, 1915 (price, 1s.), and the "Supplement" to the handbook, London, 1918 (price, 4s.). (A separate edition of this Handbook has been printed for Ireland.) All these publications are obtainable from P. S. King & Son, Ltd., 2 and 4 Great Smith Street, Westminster, London S.W.1, England.

II. Voluntary Contributors

(i) Calculation of Arrears
(ii) Paying off Arrears
(iii) Reduction of Benefits owing to Arrears

III. General

(i) Calculation of Debit and Credit
(ii) Transfer from Employed to Voluntary Insurance
(iii) Transfer from Voluntary to Employed Insurance
(iv) Employed Contributors paying at the Voluntary Rate
(v) Members under Section 47
(vi) Mercantile Marine Members
(vii) Navy and Army Members
(viii) Inmates of Institutions
(ix) Married Women

IV. Arrears Benevolent Fund

Arrears involve the penalty of expulsion. Over and over again it has been asserted by those who are making propaganda for compulsory health insurance that there are no lapses. In a small treatise which was widely circulated in 1912 on "The Insurance Act and Yourself," by Mr. Horace B. Samuel, it is said that the act includes the principle of no forfeiture. It is true that provisions for arrears are liberal, and in some respects, perhaps, extremely so. Mr. Samuel points out, however, that, though a member is suspended, he can still put matters right by paying up his arrears, and it is not until a whole year has elapsed from the time of his suspension that a lapse occurs. But suspension from benefit is the equivalent of lapse in the event of sickness occurrence, for no benefits would be paid. Suspensions are much more common than is generally supposed to be the case, and particularly is this true in the case of deposit contributors, who are frequently out of benefit under every form of benefit payable under the act. Deposit contributors not being subject to the jurisdiction of approved societies, a consideration of their unfortunate condition does not fall within the present discussion. The calculation of arrears has been simplified by more recent legislation and may be summed up in the statement that "Any loss which the Society suffers by reason of the non-payment of a member's contribution in one year shall be made good to the Society by a reduction of his benefits in the following year. The arrears of one year are wiped out in the next year, even if no benefit is claimed, so that the member in arrear makes as it were a fresh start each year."

The contributor is allowed a period of thirteen weeks after the end of each contribution year in which to pay off the arrears outstanding against him for that year and so escape reduction of benefits. Numerous provisions govern the penalty for arrears, framed clearly to safeguard the interests of the insured against the pecuniary consequences of normal economic disability. How complicated this provision is made by involved rules and regulations in contrast to the marked simplicity of ordinary and indus-

trial life or accident insurance is made evident by the following extract from the Handbook regarding one or another of the amounts ordinarily payable by the member in order to pay off a week's arrears:

ARREARS PENALTIES

Men

(a) If Society has no evidence as to remuneration—4d.
(b) If Society is satisfied that usual rate, while above 2s., does not exceed 2s. 6d.—3d.
(c) If Society is satisfied that usual rate, while above 1s. 6d., does not exceed 2s.—2d.
(d) If Society is satisfied that usual rate does not exceed 1s. 6d.—1d.

Women

(e) If Society has no evidence as to remuneration—3d.
(f) If Society is satisfied that usual rate, while above 1s. 6d., does not exceed 2s.—2d.
(g) If Society is satisfied that usual rate does not exceed 1s. 6d.—1d.

The reduced rates (b), (c), (d), (f), and (g) do not apply to members who are under twenty-one years of age or members whose remuneration includes the provision of board and lodging. Furthermore, if the member's last employment before the arrears accrued was under Sections 47 or 53, or if the arrears accrued through unemployment in Ireland, the Section 47 or Irish rate, as the case may be, will apply.

These qualifications require only to be read to emphasize the very complicated state of facts which must be established to the satisfaction of both the approved societies and the insurance committees in given cases of arrears. The principal penalty for arrears is the reduction of benefits or the withdrawal of benefits altogether for a given period of time, but this penalty again varies considerably in accordance with the table of which the following is a copy:

REDUCTION OF BENEFITS OWING TO ARREARS

Number of Net Penalty Arrears	Variation of Normal Benefits
16* and under.	Weekly rate of sickness (or disablement) benefit for the first six weeks to be reduced by 7d.* in the case of a man and 6d.* in the case of a woman for each net penalty arrear. The rate of sickness (or disablement) benefit is, however, in no case to be less than 2s. a week in the case of a man, or 1s. 6d. a week in the case of a woman.
Over 16,* but not over 20.*	No sickness (or disablement) benefit to be paid for the first six weeks.
Over 20,* but not over 26.	No sickness (or disablement) benefit at all to be paid in the penalty year.
Over 26.	Member to be suspended from *all* benefits during the penalty year.

*For Ireland 5d. and 4d. are substituted respectively for 7d. and 6d., and 18 and 22 respectively for 16 and 20.

It is explained that "in determining whether the minimum rate of benefit (2s. for a man and 1s. 6d. for a woman) has been reached, the Society must count any compensation received in respect of the incapacity as sickness benefit or disablement benefit, as the case may be." Here, again, it is clearly a case of bureaucratic supervision carried to the extreme. It would be utterly impossible to conduct insurance as private insurance enterprise if it were necessary to ascertain in each and every case matters which are so largely of private concern only.

FINANCE

Section VII has reference to finance, the elements of the subject being set forth as follows:

ANALYSIS OF APPROVED SOCIETY FINANCE

I. General
- (i) How Money for Paying Benefits, etc., is obtained
- (ii) Investments
- (iii) Security
  Misappropriation and Malversation of Funds
- (iv) Accounting

II. Cash Book

III. Ledger

IV. Advices from Commissioners
- (i) Advice of Contributions Credited
- (ii) Advice of Approved Societies' (Officers) Guarantee Fund Contribution
- (iii) Advice of State Grant towards Administration Expenses
- (iv) Advice of Sums transferred to Investment Account

V. Administration Account
- (i) General
- (ii) Deficiency for year ended 11th January, 1914
- (iii) Deficiency as at 12th January, 1913
- (iv) Deficiency for year ended 31st December, 1914, or any subsequent year
- (v) Societies with Branches
- (vi) Admissibility of Expenditure

VI. Valuations
- (i) General
- (ii) Small Societies and Associations

No one has as yet attempted to essay upon the whole question of approved-society finance in its national and local aspects in a more restricted sense, when considered from the actuarial view-point, as regards valuation. On account of the war there has been an undue delay in the actuarial ascertainment of approved-society experience, but investigations are now under way for the period ending 1918, which ought to be available in the near future and yield a more satisfactory statement of facts than is at present available. The Government has given publicity only to

fragmentary statements concerning national health insurance finance, so that it is practically impossible to harmonize the reports for the several countries, since the system is not national in a true sense of the word, but provincial, in that different plans and purposes apply to England, Wales, Scotland and Ireland. General financial statistics in a summarized form are contained in the estimates for civil services and the accounts of revenue and expenditures.* A separate account of the national health insurance funds is usually three or four years behind in date of publication. No information in detail concerning national health insurance funds has been published for a later year than 1916, the returns for which were communicated to the House of Commons under date of March 3, 1919. These reports are not properly summarized, do not present a statement in strict conformity to principles of accountancy and comparability similar to the returns required of life insurance companies. Such a statement, for illustration, as was recently presented in the House of Commons by the Minister of Health, that the total cost of national health insurance from its inception to December 31, 1919, was, in round figures, 190 million pounds and that the amounts paid in benefits and administration were 99 million pounds and 25 million pounds, respectively, can not be accepted as useful for practical purposes of analysis and comparison with similar experience in related fields of private enterprise. It, however, is suggestive that, in round figures, out of every 100 pounds paid in benefits 25 pounds should have been expended for administration, considering the large amount of voluntary services rendered to the Government partly paid for out of other sources. For, as previously shown, by utilizing existing friendly societies there was unquestionably a shifting of the incidence of cost to the voluntary membership, to the advantage of the state side of the funds. Without enlarging upon this aspect of the subject, I may say that Dr. Addison intimated that there was a balance in reserve of 66 million pounds. What the investment experience of these funds has been is not a matter of satisfactory record, and no one has thus far attempted to deal with the subject in a thoroughly qualified manner from the

*The results of the recent valuation are gradually made public, and on the whole it would seem that the expeience has been favorable and that additional benefits will be justified on the part of the major portion of solvent societies. It must be kept in mind that, as a result of the war and the very material increase in wages without a corresponding increase in benefits, sick claims were unquestionably much below the normal. The large expenditures under out-of-work donations also reduced the demands on the sick funds. It is, however, extremely doubtful whether this experience will be repeated during the next five years, particularly in view of the present industrial depression. It may be said, however, in this connection with regard to the Manchester Unity of Oldfellows, the past experience of which underlies the actuarial calculations of the insurance act, that

> Nearly the whole of the lodges of the society have substantial valuation surpluses, and after making the actuarial reserves, will have available surplus funds from which supplementary benefits, ranging from 1s. to 5s. per week, can be paid to the insured members. As an affiliated order, each lodge is valued as a separate society, and the members have full discretionary orders to determine how they will apply the surplus in benefits.

The discretion is not, however, quite as unlimited as implied. for whatever is done is subject to the approval of the Ministry of Health. In continuation, the statement is made as reported in the *Daily Telegraph*, London, January 7, 1921, that

> The directors have carefully considered the position of the society as a whole and of the individual lodges, and decided to suggest to the lodges that the highest amounts to be paid in direct benefits be an addition of 3s. per week in sickness benefit, 1s. 6d. per week in disablement benefit, and 6s. added to the maternity benefit. If this suggestion is accepted and acted upon by the members, the remaining portion of the surplus will be available for hospital and convalescent home benefits.

actuarial point of view. The whole problem of finance is hopelessly complicated by grants and gratuities, frequently ill-defined and obviously more in the nature of a gift outright than a proper contribution on the part of the State. The question which has given so much serious concern to the friendly societies, namely, the possibility of recoupment of war losses through the indemnity to be paid by the German Government, illustrates the view-point of the leaders of the friendly-society movement that so far as possible they do not desire further Government assistance in a matter which they think is more properly one of adjustment on their own part and in their own way.

Outworkers

Of the miscellaneous questions the most important, perhaps, concerns the outworkers, which has been one of special consideration in Ireland.* The outworker is defined as a person taking work to do in his or her own home or shop for the purpose of trade or business, or, as he would be defined in this country, a home worker or a worker in a domestic industry. The payment of contributions differs for this group, there being two methods, under one of which the employer pays one contribution for each calendar week or each part of a calendar week in which work is done for him, while under the other method an employer pays contributions not according to weeks, but according to the amount of work done for him. If the outworker has more than one employer, all must pay, according to whichever method is selected. Complications abound in the second method, under which one contribution is paid for each unit of work or less and a half-contribution for each half-unit of work or less, however long or short the time required to do the work, a "unit of work" being described as "such an amount of work as earns a certain sum fixed by the Insurance Commissioners for each trade, which sum is intended to represent the amount an ordinary worker can earn if he works a full week at the kind of work in question."† This complicated and exacting method in actual practice is explained in part, as follows:

> A Society need not question the right of an outworker in respect of whom contributions are paid on the unit system to be regarded as having a normal occupation of employment, although the contributions paid fall short of 27 in the year, if it is reasonably satisfied that the outworker is substantially employed in each week

*See report of the committee appointed to consider and advise with regard to the Application of the National Insurance Act to Outworkers in Ireland, Vol. I, Cmd. 7685, London, 1914 (price, 2½d), Vol. 211, Cmd. 7686 (price, 11d), obtainable through P. S. King & Son, Ltd., 2 and 4 Great Smith Street, Westminster, London, S.W.1, England.

†According to the First Annual Report of the Ministry of Health, Part 4, the principal industries in which outworkers are now insured on the unit system are: hosiery manufacture (206 employers), tailoring (190 employers), lace manufacture (188 employers), and glove-making (110 employers). The following are illustrations of the special units of work as provisionally fixed by the Ministry of Health for various occupations: the carding of buttons, 8s. 9d.; hand-hammered chain-making, up to and including 11/32 in., 16s; dollied or tommied chain-making of 3/8 in. diameter and over, up to 17/23 in., inclusive, 26s.; machine-made lace and net finishing, including the finishing of the product of plain net machines, 16s.; the mending in brown of laces, nets and curtains—for female workers, 16s. These are to be assumed as the normal weekly wages, but they are often widely at variance with the facts of actual experience. The classification emphasizes precisely the tendency of bureaucracy to run to the extreme in attempting a minute regulation in ascertainment of Industrial relations entirely beyond the proper sphere of state control.

during twenty-seven weeks, and the employment is not being followed merely as a spare-time occupation. When an outworker in respect of whom contributions are paid on the unit system does not complete sufficient work to secure that, on the average, a stamp is affixed to his card for each week, he should be treated as being in arrears to the extent of the difference between the number of contributions paid and the number of contributions which could have been paid by reference to weeks (other than weeks failing to be disregarded). Where the Society is satisfied that the outworker has a normal occupation of employment, such arrears may be discharged, in the same way as arrears due to unemployment, by the payment only of that portion of the contribution which is payable otherwise than by the employer. Thus in cases where contributions are paid on the basis of the general women's unit of 8s. 9d., women workers of the age of 21 or upwards can pay the arrears at the rate of 1d. a week.

The foregoing is an admirable additional illustration of the ultimate development of all compulsory health insurance into an extremely burdensome regulating apparatus, exacting information in minute detail relating to matters of personal concern. The correct ascertainment of each and every detail must involve a clerical and auditing staff totally unsuspected by those who view the subject only in a theoretical aspect. It is said, for illustration, in explanation, "that when these amounts prove to be too high or too low, they can be altered by the Insurance Commissioners upon application from either the employer or the worker. In some cases they will be altered almost immediately; but if the ordinary worker in a given trade cannot earn by a full week's work as much as the sum fixed by the trade, he is requested to address the Insurance Commissioner at London and state what is the sum that can be earned in a full week's work." It seems inconceivable that an executive authority can concern itself with such matters of trivial detail, which in given cases must be time-consuming in the extreme; but there could be no better illustration of the natural evolution of national health insurance than the case of the outworkers, ultimately typical of all workers brought within its plan and scope. I conclude these observations with the following extract from the Official Circular on Outworkers, issued by the National Health Insurance Commission in 1918:

1. An outworker is a person, male or female, to whom articles or materials are given out (for the purposes of the trade or business of the person who gives them out) to be made up, cleaned, washed, altered, ornamented, finished or repaired, or adapted for sale, *in his or her own home or on other premises not under the control or management* of the person who has given out the articles or materials.

2. Generally speaking the person (or firm) giving out the articles or materials to outworkers to be made up, etc., is the employer of the persons to whom they are given out.

In cases, however, where a person gives out articles or materials to be made up, etc., which he has received from a merchant or manufacturer for that purpose, he is himself deemed to be the employer of the outworkers to whom the articles are given out.

3. Outworkers between the ages of 16 and 70 (including married women) are insurable if the wages or other remuneration derived from outwork are the principal means of livelihood.

There is an unimportant exception, viz.:—Where the articles or materials given out are not articles or materials which it is the trade or business of the person by whom they are given out to manufacture, make up, clean, wash, alter, ornament, finish or repair or adapt for sale. Outworkers employed on such articles or materials are not insurable in respect of such employment.

Perhaps no aspect of national health insurance more clearly emphasizes the necessity of rigorous bureaucratic investigation and control than the status of the outworker. Every text-book on the subject emphasizes the difficulties of a precise definition of what constitutes an outworker and of the ascertainment of the wages earned and the contributions to be paid. It has been said that "Employment as an outworker (that is to say, a person to whom articles or materials are given out to be made up, cleaned, washed, altered, ornamented, finished, or repaired, or adapted for sale in his own home or on other premises not under the control or management of the person who gave out the articles or materials for the purposes of the trade or business of the last-mentioned person) unless excluded by a special order made by the Insurance Commissioner, and any such order may exclude outworkers engaged in work of any class, or outworkers of any class or description specified in the order, or may defer the commencement of this Act as respects all outworkers, and the person who gave out the articles or materials shall, in relation to the person to whom he gave them out, be deemed to be the employer."

To the foregoing I add the official explanation as to contributions payable in the event of the second method of settlement being adopted, qualified by the statement that if the worker is under twenty-one, the worker's share in the case of men is always 4d., and in the case of women 3d.* If, however, the worker is over twenty-one years of age, the worker's share depends upon what he can earn by a full day's work; but outworkers often work but a few hours a day, in that case their contributions depend not upon what they actually earn, but upon what they could earn if they worked a full day, as follows:

OUTWORKERS' RATES OF CONTRIBUTIONS

(25.) Whether a contribution is paid in respect of each week by Method A, or in respect of each unit of work by Method B, the share of the contribution payable by the outworker depends, as in the case of other insured persons, on the age and rate of remuneration per working day of the worker. Under the "Normal rate of remuneration (Ireland) Order," the rate of remuneration in the case of outworkers is deemed to be one-sixth of the unit for the particular class of work performed. Taking Hand Embroidery, for example, the unit for which is 6s. 6d., the rate of remuneration is one-sixth of that amount, or 1s. 1d., and as this does not exceed 1s. 6d. per working day nothing is due to be deducted from the outworker unless she is under 21. The following table shows in a convenient form the total amount of the contribution and its division between the employer, the worker, and (in certain cases) the State:—

*These and other details can not, of course, be enlarged upon on the present occasion, but they emphasize the close approximation of national health insurance concerning outworkers to poor-relief. It is the consensus of qualified opinion that the act fails conspicuously to effectively reach the poorest poor. A distinguished correspondent in a typical provincial town writes that "for any real treatment, the poor are as much dependent on charity as before."

Amount and Division of the Contribution	For outworkers 21 years of age or over If the "unit of work" is						For outworkers between 16 and 21 years of age	
	Not more than 9*s.*		More than 9*s.* but not more than 12*s.*		More than 12*s.* but not more than 15*s.*			
	Men	Women	Men	Women	Men	Women	Men	Women
Total Contribution	5½*d.*	4½*d.*	5½*d.*	4½*d.*	5½*d.*	4½*d.*	5½*d.*	4½*d.*
Payable by employer (including worker's share, if any)	4½*d.*	3½*d.*	4½*d.*	3½*d.*	5½*d.*	4½*d.*	5½*d.*	4½*d.*
Worker's share recoverable by employer from outworker	Nil.	Nil.	½*d.*	½*d.*	2*d.*	2*d.*	3*d.*	2*d.*
Payable by the State	1*d.*	1*d.*	1*d.*	1*d.*	—	—	—	—

NOTE.—Employers who have not adopted the unit system but stamp cards in the ordinary way must, in the first instance, pay the full contribution of 5½*d.* (4½*d.* for women) in all cases. If in any case a portion of the contributions is payable by the State, as shown above, the amount of the State portion will be repaid to the employer on application to the Commissioners on the prescribed form before the end of the succeeding half-year.

(26.) Where the unit system has been adopted the employer may accordingly deduct the insured worker's share of the contribution, as set forth in the foregoing table, in respect of each unit of work done. For example, in the case of a Hand Embroidery worker, whose unit is 6s. 6d., the worker's share of the contribution is 2d. in respect of each 6s. 6d. earned if she is under 21. *If she is 21 or over nothing is due to be deducted from her.*

(27.) Until the returns from all employers for each period have been received and dealt with by the Commissioners, in the manner indicated in paragraphs 10 and 11, the exact number of contributions payable by each employer in respect of his outworkers for the period cannot be stated. It is, therefore, suggested that the payments to outworkers should be in the form of advances towards the total amount payable for each period, and that a sum should be retained by the employer sufficient to cover the worker's share of the contributions pending a final settlement when the account for the period has been received from the Commission. When that account has been received by the employer the necessary adjustments should be made. If more than the correct amount has been deducted from the remuneration of any worker for the period the excess should be refunded, and if any deductions have been made from the remuneration of outworkers for the period who have been found not to be insurable for that period the amount deducted should also, of course, be refunded. *It will be borne in mind that where the "unit of work" is not more than 9s. nothing is recoverable from the worker unless under 21 years of age.*

It is not an easy matter to explain the actual practice of national health insurance through approved societies, but the foregoing is one of many convincing illustrations of the extremely burdensome nature of a system as thoroughly artificial as in its final analysis it is ill-adapted to the real needs of the insured.*

*As an additional illustration of the complexities resulting from minute rules and regulations influenced by wide fluctuations in trade differences, the following extracts from *The Inverness Courier*, of August 31, 1920, are of interest:

"It is understood that during the war period the number of homeworkers, or outworkers as they are technically defined, has tended to increase rather than decrease in Scotland. The expression 'out-

Voluntary Experience Under Compulsion

The practice of approved societies transacting a large friendly-society business on the voluntary side best emphasizes the inherent difficulty of state insurance in a field in which private effort has heretofore been successful far beyond expectations. Probably the best illustration of British friendly-society experience under national health insurance is the Hearts of Oak, a society originally established in 1842, the operations of which extend to every part of the United Kingdom, including a total voluntary membership of approximately 700,000. This society ranks foremost among the great orders in the esteem of the British public, and it proudly boasts of a reorganized management strictly comparable with that of a conservative life insurance company. The new membership admitted to the society since 1913 has been as follows:

DECLINE IN NEW MEMBERSHIP OF HEARTS OF OAK BENEFIT SOCIETY UNDER NATIONAL HEALTH INSURANCE

1913	65,860
1914	28,574
1915	22,164
1916	12,586
1917	11,604
1918	10,987
1919	27,799

This membership concerns only adult members, assumed to be entitled to the right of participation in management. The increase in 1919 was largely the result of the introduction of methods typical of industrial insurance companies, or, in other words, solicitation on the basis of commissions and the payment of a percentage on the collection of contributions. Just what the details are in this respect is not in its entirety a matter of public record, but the minutes of the meetings of the society indicate a growing belief that it is only by means of agents working for compensa-

workers' is sometimes erroneously taken to represent a field worker or casual farm labourer, but the National Insurance Act defines an outworker as 'a person to whom articles or materials are given out to be made up, cleaned, washed, altered, ornamented, finished, repaired, or adapted for sale, in his own home or on the premises not under the control or management of the person who gave out the articles or materials for the purposes of the trade or business of the last-mentioned person.' Outworkers are employed in Scotland in a number of trades, the principal occupations being hosiery-making and finishing, the finishing of gloves, nets, lace curtains, and tennis balls, and the making of jute products.

"From inquiries received there appears to be some doubt regarding liability for the Health Insurance of some of these classes of outworkers, particularly those employed by small firms. At the inception of the National Insurance Act a joint committee specially appointed to consider the case of outworkers unanimously recommended that no class of outworkers should be excepted from insurance and further recommended that regulations should be made providing for the payment of contributions by reference to the amount of work done. The latter method, known as 'the unit method,' by which on application to the Board of Health contributions may be paid according to 'units of work,' has been adopted by practically all the leading employers of outworkers in Scotland.

"The Scottish Board of Health and their inspectorate in the various districts have recently dealt with several cases of employment of such outworkers, including manufacturers and shopkeepers in the hosiery, outfitting, drapery, and boot trades, who are employing outworkers in connection with their business. In accordance with the prevailing increase in wages the general 'unit of work,' for each of which a stamp is required, has been raised to 24s. for men, and 15s. for women as from 5th July. Contributions are payable on the ordinary system of weekly contributions until sanction is granted for the adoption of the unit system. A special unit for any class or classes of outworkers may be fixed on application. Full particulars as to the liability of employers of any class of outworkers and the rate of contributions payable can be obtained from the Scottish Board of Health, Edinburgh, or any of the district offices of the Board."

tion that the downward tendency in the membership of the order can be successfully arrested. Regardless of this effort, however, the present membership extant on December 31, 1919, was 580,919, compared with 610,515 on December 31, 1913. In the meantime the London Prudential increased its industrial insurance from £260,207,763 ($1,267,211,806) insurance in force in 1913 to £329,262,886 ($1,603,510,255) insurance in force in 1919. Both institutions transact an approved-society business, but the effect on the old-type friendly society has been not far from disastrous. The explanation is to be found in the fundamentally different basis of organization and the fact that the friendly societies heretofore have secured their membership entirely through the unpaid cooperation of the fraternity, whereas the industrial companies have always based their business success upon the principle of active solicitation through a paid agency force.

Hearts of Oak Benefit Society

There may be appropriately incorporated in this connection the following circular letter by the Hearts of Oak Benefit Society, under date of December, 1912, emphasizing the view-point prevailing at the time when the National Insurance Act had just gone into effect.

THE HEARTS OF OAK BENEFIT SOCIETY

(Approved by the National Insurance Commissioners).

C. W. Burnes, Hearts of Oak Buildings, Euston Road,
Secretary. London, N. W.

September, 1912.

IMPORTANT NOTICE TO MEMBERS.

The Hearts of Oak Benefit Society is undoubtedly *one of the best Societies* approved by the National Insurance Commissioners.

It has been established for over 70 years as a Friendly Sickness and Funeral Benefit Society, and its constitution provides that all its vast experience during that period is used to the *advantage of its Members.*

Its economical management, averaging about 5 per cent. of income throughout its history, is one of the marvels of Friendly Society administration, comparing with a management expenditure of more than 10 per cent. for all Friendly Societies and 39 per cent. for Insurance Collecting Societies.

The prudent investment by the Hearts of Oak Benefit Society of its capital of over *Four and a Quarter Million Pounds,* results in an interest income of no less than 9s. 8d. per Member per annum, *the whole of which is utilised for the Members.*

The Hearts of Oak Benefit Society has loyally performed its duty to its Members in the past—and it now calls upon the Members to do their duty to their own Society. The Insurance Companies which exist for profit-making purposes have been allowed to compete with the Friendly Societies under the National Insurance Act, and are threatening to destroy the very foundations of Friendly Society work. It is the duty of every Member of the Hearts of Oak Benefit Society to assist in counteracting these capitalist influences.

If every Member of the Hearts of Oak Benefit Society would propose *at least one new Member,* the Society would number over one million Members. The neces-

sity of large numbers was never more urgently exhibited than now. It will enable the Society to continue to give the greatest possible advantage to all within its ranks, and therefore, *in their own interest* as well as in the interest of their friends and acquaintances, Members *are urgently requested to do all in their power to* bring in new candidates, either men or women or juniors.

In order to compensate in some small degree for the trouble incurred awards are given as follows:—

Every Member who recommends five accepted Members for Tables A or B, within any period, will be entitled to be presented with an Oak-framed Emblem; or for recommending seven accepted Members to a superior Oak-framed Emblem, or a Gold Medal of the value of fourteen shillings.

After obtaining these, the Member will for the recommendation of every additional five accepted Members, be entitled to or credited with the sum of 7s. 6d.

Any Member introducing five accepted Members for the State Section only, or for the State Section in conjunction with Tables C, D, E, and F, will be entitled to or credited with a sum of 2s. 6d.

It is suggested that there are many Members of the Society who would gladly exhibit a notice in a window of their residence indicating that application forms may be obtained within.

If you are willing to assist in this matter, will you please fill up and return the enclosed post card, which shall be immediately attended to.

C. W. BURNES, *Secretary.*

N.B.—Any person who has received an Insurance Card from the Post Office or any other source than from an Approved Society *should forward that card on completion* to the Hearts of Oak Benefit Society. In the event of an insured person having joined another Approved Society under a misapprehension, and being desirous of transferring to this Society, such person may obtain a card for that purpose on making application to the Secretary, at the only office, Euston Road, London, or of the Local Association.

This circular indicates the view-point prevailing at the time that the interests of friendly societies were placed in jeopardy by the growing competition on the part of the life insurance companies transacting national health insurance as approved societies, in accordance with the law. The alleged capitalistic influences are typical of a socialistic attitude, which, broadly speaking, is still alien to friendly-society management. Regardless of the attack made upon the companies employing agents with stated compensation, the society itself offered pecuniary inducement as a compromise, though far from sufficient for the purpose, and fortunately remedied in later years under a more efficient management than the one in charge of the affairs of the order in 1912. The actual office organization of an approved society as represented by the Hearts of Oak is an exceedingly complicated matter, which can not possibly be brought, in matters of detail, within the present discussion. The situation is infinitely complicated by the operation of two unlike sections, one for the work that is required in connection with the compulsory state section and one for the voluntary branch of the Hearts of Oak. The system of accounting which has been adopted within recent years is, however, an admirable advance over earlier methods, which by 1911 had unquestionably reached a point where urgent and even drastic reforms were of pressing importance.

As an illustration of the problems of effective internal organization confronting the society, there is included the following circular dated July 1, 1918, with reference to the payment of contributions, etc.

HEARTS OF OAK BENEFIT SOCIETY

DEAR SIR, *1st July, 1918.*

RULE 8—PAYMENT OF CONTRIBUTIONS
(Private, not State).

I have to direct your attention to the following resolution which has been adopted by the Delegate Board, in accordance with Rule 8:—

"That this Delegate Board, in accordance with Rule 8, Clause 1, do hereby authorise and consent to the Executive Council to increase the contributions of the Original Membership to 11/- per quarter; members who were over 25 years at the time of joining between February, 1911, and March, 1912, to 11/6 per quarter; the contributions of Table "A" members by 3d. per quarter, and the contributions of Table "B" members by 3d. per quarter."

The increased contributions become payable from and with the third quarter's contributions of this year (1918).

NEW RULE 73—MEMBERS ON ACTIVE SERVICE.

Regarding Private (not State) contributions of members on Active Service, the following new Rule (73) has been duly registered, and is operative from and with the third quarter's contributions of this year (1918):—

Delete Rule 73 and substitute—

1.—"Notwithstanding anything contained in these Rules, the following provisions shall apply and remain operative during the continuance of the present War (1914—) to members of the Society serving in the Navy or Army; and in all cases of inconsistency this Rule shall prevail over all other Rules of the Society."

2.—"A member shall be entitled to receive the benefits which are prescribed by the Rules of the Society upon the payment of the contributions which are prescribed by those Rules."

3.—"A member allowing his contributions to remain unpaid for a period of four months shall:—

(a) be called a 'Suspended Service Member.'

(b) be suspended from Sickness Benefit until he is discharged from the Navy or Army,

(c) be required from and including the third quarter 1918 to pay the contributions for Management and the benefits of the Society, other than Sickness Benefit,

(d) be entitled to all benefits other than Sickness Benefit."

4.—"A Suspended Service Member shall, at any time before his discharge from the Navy or Army, have the right of paying up his arrears of contributions, and thereby resuming his right to Benefits at the expiration of three months from the date of payment of such arrears, or upon his discharge from the Navy or Army, whichever is the earlier."

5.—"Upon the death of a Suspended Service Member, or upon the death of the wife of such member, the Society shall pay the Funeral Allowances which are prescribed by its Rules, to the amount which was payable in respect of such membership at the date of registration of this amendment, deducting therefrom the arrears of Funeral Levy which, except for the provisions of this Rule, would have accrued from the date of suspension, and the contributions for other benefits (Sickness Benefit excepted) and Management accrued from the third quarter 1918."

6.—"Should the contributions of a Suspended Service Member be in arrears when any benefit under this Rule becomes payable, he shall not be debarred therefrom, but such benefit shall be paid after deducting therefrom the amount of the accrued arrears.

"Should any member whilst on Active Service be unable or omit to pay the contributions under this Rule, the amount of such contributions shall be debited to his account, and be payable by him (by instalments if necessary, at the discretion of the Executive Council) on his discharge from the Navy or Army."

7.—"When a Suspended Service Member is discharged from the Navy or Army, he shall:—

(a) Resume his position in the Society.

(b) Be entitled to receive the full benefits of the Society prescribed by the Rules from that date, subject to the provisions of this Rule with regard to arrears of contributions."

GENERAL.

In presenting the amended rates of contributions, I am directed by your Executive Council to bring to your notice the following facts:—

(a) Loss of contributions in respect of Active Service Members is at present £85,192 per annum.

(b) Number of members who have died on Active Service up to December, 1917, is 7,991.

(c) Amount paid in 1917 in respect of Deaths whilst on Active Service was approximately £16,000.

(d) Number of members affected by the new Military Service Act is estimated at 96,000.

I have also to mention that the Society's Actuary has urged extreme necessity for the increase of contributions and the payments required from Active Service members to meet the present and prospective liability, particularly owing to the increasing claims as the average age of the members advances.

It is extremely desirable that, in spite of the abnormal financial strain which has existed so long, when peace conditions again operate, our Society shall be proud that our standard of security has been maintained.

Regarding those of our members serving with His Majesty's Forces, it is with pleasure that your Executive Council are able to record the fact that for over one and a half years the Society paid their contributions, and that even since April, 1916, Rule 73 conceded similar advantages in a modified way.

It is, therefore, only with regret that the Delegate Board at last find it necessary, owing to the present and prospective liabilities being so great, to call upon the Suspended Service members to pay their ordinary contributions, less the amount chargeable for Sickness Benefit, as and from the third quarter of this year, but it is still optional for original members and members of Classes "A" and "B" and Junior Section on Active Service to pay the full contributions to become entitled to the full Private Benefits.

Yours faithfully,

JAMES P. LEWIS, C.A., *Secretary.*

The increase in contributions equivalent to an increase in the cost of insurance is unquestionably in part the result of the operation of the state section, as to which complaints have been made for a number of years that the administration allowance is quite insufficient to meet present-day demands for adequate compensation.

An illustration of an even more complicated situation is the following circular, not dated, with reference to an action at the annual meeting of the delegate board on the question of reversion from "merged," or membership of persons who had deducted their state contributions from their original private contributions, to "full" private membership, as follows:

1. First Choice: New Rule 69.

As from the first day of October, 1919, the scheme made by the Society under the National Insurance Act, 1911, Section 72, shall be rescinded, and each member who at that date had taken advantage of its provisions shall henceforth pay his original contributions in accordance with Rule 8 (I), together with an additional contribution payable until the attainment of age seventy only, of one shilling a quarter, and shall be entitled to receive Sickness Benefits from the 1st January, 1920, as if he had not taken advantage of the Scheme.

2. Effect of New Rule.

For the payment of 12s. per quarter your benefits will be Sickness Benefit, 18/- per week, Half Pay, 9/- per week, and Reduced Sick Allowance, 4/- per week. Member's Funeral Allowance, £20. Wife's Funeral Allowance, £10. Maternity Benefit, 30/-. Contingent Fund, Convalescent Homes, Loss of Tools, etc.

3. Alternative Choice.

Any such member who may so desire may elect to pay one-half of his Sickness contribution, and one-half of the additional contribution, in return for which he shall receive one-half of the Sickness Benefits to which members admitted before 8th March, 1912, are or may be entitled.

4. Effect of New Rule.

Your original contribution was 11/- per quarter, viz.—7/- for Sickness Benefits only, and 4/- for all other Benefits and Management Expenses; therefore as Sickness Benefit only is affected by this Rule, the contribution is made up as follows:

	s.	d.	
Half original contribution for Sickness Benefit.....	3	6	per Qr.
Half additional contribution for Sickness Benefit.....	0	6	"
Full contribution for all other Benefits, etc.....	4	0	"
	8	0	"

For the payment of 8s. per quarter therefore your benefits will be: Sick Pay at 9/- per week, Half Pay 4/6 per week, and Reduced Sick Allowance 2/- per week. Member's Funeral Allowance, £20. Wife's Funeral Allowance, £10. Maternity Benefit, 30/-. Contingent Fund, Convalescent Homes, Loss of Tools, etc.

In addition to the foregoing, it is said that "No alteration can be made after the member's status shall have been determined under the amendment of Rule," but

It is desirable that the members should fully appreciate the necessity for the small additional quarterly contribution required, and I would therefore explain that where Members have deducted their STATE from their PRIVATE contributions,

although they relieved the Society from liability for a portion of the original Sickness Benefits, yet the reserves that had been accumulated towards payment of those benefits were dispersed by the granting of additional benefits to Merged members. Consequently to re-establish the position it is necessary that at least a part of the loss should be made good, and it has been actuarially ascertained that the total contribution required will be 12s. per quarter.

Under this Rule all Members who are paying the Merged rate of private contributions are given the opportunity of considering and determining their position, as after this date no merging of contributions can take place, irrespective of the present or future position of the Members under State Insurance.

It is perfectly obvious that under such an arrangement the true incidence of cost of administration in either branch must be lost sight of, while it is a safe inference that, in view of insufficient administration allowances on the state side, a disproportionate share of the expense will be borne by the voluntary side.

The foregoing have been included as concrete illustrations of the difficulty of keeping absolutely separate the two branches of the societies' business, although it is hardly necessary to say that every effort is made to do so.*

Sickness Regulations

The actual procedure in claiming sickness benefit, which is, of course, the major purpose of the society, since medical benefit is administered by the insurance committee and sanatorium benefit will in the future be administered by public authority, can only be briefly referred to, as follows:

GENERAL INSTRUCTIONS

During Sickness

You must obtain from your Doctor a Continuation Certificate within eight days from the date of your first certificate. The form of intermediate declaration should be at once completed by you and the certificate forwarded to the Society's Office, in the addressed envelope which is enclosed with this notice. A similar certificate must be supplied every week whilst you remain incapable of work.

When Sickness Ends

You should arrange to see your Doctor and get a Final Certificate the day before you are fit to work.

The certificate should be immediately posted to the Society, with the declaration "off," printed at the bottom right-hand corner filled in and signed. Your Visitor must be advised of the date you declare "off."

General Information

The use of the Sick List has been discontinued.

Your outings must be recorded on the other side of this form.

*There is not much difference in the experience of typical friendly societies, but in Appendix J, on the Loyal Order of Shepherds, are included some exceedingly interesting statistics confirming observations as regards the almost stationary condition reached in the friendly-society movement unless supported by the efforts of paid canvassers and collectors, an innovation largely contrary to the old-time friendly-society point of view. Official statistics of friendly societies are, unfortunately, very much delayed in publication, and no recent reports are available that would modify the conclusion previously stated that the early and encouraging progress in voluntary thrift as represented by the old-time friendly societies operating on a purely voluntary basis has practically reached a stationary condition. Between 1891 and December, 1916, the adult membership of the Independent Order of Rechabites, originally established in 1835, increased from 97,563 to 335,294, but between 1916 and 1918 the adult voluntary membership increased only from 335,294 to 358,957. During the same period the state membership increased from 402,069 to 427,882.

Weekly certificates must be supplied even if you are not claiming benefit unless you have received notice from the Society to the contrary.

Benefit will only be paid for the period covered by the Medical Certificate.

The Society's Rule as to behaviour during sickness should be carefully read.

No Sick Member is allowed to go for a change of air until he has been at least seven days on the Sick Fund, and has sent to the Secretary a Medical Certificate, stating that such change is requisite, and has obtained the necessary consent.

Members on the Sick Fund are warned that they must not change their residence without giving notice to the Secretary before removing. Such notice should state that the member is on the Sick Fund.

Your registered number must be given on every communication.

In the event of a claim being made for maternity benefit, the following instructions are sent to the patient concerned:

1. All claims for benefit must include a written application bearing the member's own signature.

2. If the Certificate is signed by a midwife, she must give her Christian name, surname, and address. The word "Mrs." or "Nurse" should never appear before a signature. If she cannot write she must make her mark in the presence of a free member of the Society (not being a relative), who will be so good as to attest it.

3. The Certificate should state whether the child was born alive or dead. In the case of a still-born child, it is necessary that the period of gestation should be stated. The address where the delivery took place must also be given.

4. The certificate must be made out in the exact form given in Rule....., word for word. Any addition to the enclosed should be properly attested by the doctor's or midwife's initials.

5. Members are required to produce their Marriage Certificate every time application is made for the Maternity Benefit.

6. When the money is to be sent by post, definite instructions to that effect should be forwarded (stating the post office at which the remittance is to be made payable), and signed by the member with his or her own hand. These instructions must always be accompanied by the Marriage Certificate.

Note.—Claims are now paid daily between 10 and 5 o'clock, with the exception of Saturday, when the hours are from 10 to 12 o'clock. Those members who intend to call for the money are requested to bring the Marriage Certificate with them.

To the foregoing I add the instructions to sick members in the voluntary section, which, broadly speaking, have general application to members on the state side also.

INSTRUCTIONS TO SICK MEMBERS

No Sick Member may go for change of air until he has been at least seven days on the Sick Fund, and forwarded to the Secretary a Medical Certificate that change is requisite, and obtain from him the necessary permission.

The Sick Member is required to forward a Certificate from a Duly Registered Medical Practitioner within three days of declaring on the Fund, and to obtain the signature of same on his Sick List at least once every fourteen days afterwards.

Should any Sick Member be an In-Patient of any Hospital, Asylum Infirmary, or Convalescent Home, the Certificate of his admission thereto, and the Certificate of his discharge therefrom, shall be deemed sufficient evidence that such Sick Member has received proper Medical attendance during his residence therein. The Cer-

tificate shall be sent by such Sick Member to the Secretary within twenty-four hours of such admission or discharge.

The Sick Member is required to forward his Sick List in time to reach the Society House on his Monthly Divisional Day, or in default be fined in accordance with Rule 6, and his Sick Pay shall be suspended until receipt of the Sick List. Any Member not having been on the Fund seven days shall be exempt from sending his Sick List until the next Monthly Divisional Day of his Division; but should he in the meantime wish to declare off the Sick Fund, he shall be required to return the Sick List at once, with the form of declaration off properly filled up.

No Sick Member to be away from home before Nine o'clock in the morning or after Six o'clock in the evening from Michaelmas to Lay Day, or before Eight o'clock in the morning or after Eight o'clock at night from Lay Day to Michaelmas. No Member to perform his ordinary duties, or work for profit while receiving Sick Pay. Any Sick Member going from home shall, before he leaves, state in writing on the back of his Sick List, where he is going and the time he intends to return.

Any breach of the above Regulations will be followed by Suspension of Sick Pay, pending investigation, and the Sick Member will be liable to Fines in accordance with Rule 6.

The foregoing extracts clearly emphasize the influence of rigorous state rules and regulations in matters which can not be looked upon otherwise than as largely of private concern. They are typical rather of the German view-point that the individual has no rights which the State is bound to respect than of the old friendly-society conviction that the individual is of right entitled to the largest measure of faith, confidence and good will. The rules governing sickness and disablement benefit on the state side of the Hearts of Oak Benefit Society are set forth in thirty-eight extended regulations, of which I can quote only the following subsections of section 25, under sickness and disablement benefit (10).

The "shall" or the "shall not" is typical of the German mind and alien to fundamental conceptions of English liberty in relation to matters largely concerning voluntary thrift and voluntary enterprise:

(a) *Shall obey* the instructions of the doctor attending him;

(b) *Shall not* be absent from home between the hours of 7 o'clock p. m. and 8 o'clock a. m. from September 30th to March 25th inclusive, or between the hours of 9 o'clock p. m. and 6 o'clock a. m. from March 26th to September 29th inclusive, and shall not be absent at any time without leaving word where he may be found, provided that the Executive Council may, if they think fit, exempt the member from the operation of this rule upon such conditions as they may impose;

(c) *Shall not* leave the place where he resides without the consent of the secretary;

(d) *Shall not* be guilty of conduct which is likely to retard his recovery.

The minute supervision of the individual during illness and the control of his actions in matters of minute detail are thoroughly typical of the bureaucratic German mind.

Cost of Administration

The tendency is persistently in the direction of more and more regulations, regardless of the strong demand for simplicity. In no direction is

this more apparent than in the recent agitation for a material increase in the administration allowance, which at the present time is on a statutory basis of 3s. 5d. per member insured. The demand on the part of the approved societies is for an additional shilling, which would make the total administration allowance 4s. 5d. There is some division of opinion as to how far this demand is met by the facts of actual experience, but the data provided by the Hearts of Oak Benefit Society for the period 1914-18 seem to fully justify the urgency for an increase even larger than the one shilling asked for; but in this case, as in the basic remuneration for medical attendance, the per-capita system is fundametnally wrong, The question is not one of a general average, but one of actual experience and actual needs. There are societies which claim that they manage very well on the present basis and that an increased allowance to them would merely be an outright but needless gift.*

The chief cause of complaint is delay in the payment of claims on the state side of the society's business. This would seem to be unavoidable in view of the numerous rules and regulations which require to be complied with. It is the opinion of those who have had extended experience in the administration of sick benefit that many of the insured prefer to secure physicians at their own expense. Since this touches upon the efficacy of the panel system, which I have elsewhere discussed, I will not here enlarge upon the question further than to say that, regardless of positive assurances to the contrary, the panel system is not satisfactory to a large proportion of panel patients.†

*An additional shilling has in the meantime been granted by the Government, but this is considered insufficient by many societies, who insist upon a five-shilling minimum. The situation has become critical in the case of some societies, as best emphasized in a circular letter of the National Conference of Industrial Insurance Approved Societies, in connection with which it is said in *The National Insurance Gazette*, of January 15, 1921, that, "In the early days of national health insurance most of the Approved Societies got on fairly comfortably with the 3s. 5d. allowed. Some of them, in fact, spent much less than 3s. 5d. and accumulated large surpluses. But the war made a difference; the administration surpluses took to themselves wings, and notwithstanding the extra shilling and a little extra on account of increased postal expenses allowed from the beginning of 1920, deficiencies are now showing themselves." To settle the difficulty it is now proposed to take legal action to determine the rights of the approved societies for an allowance adequate to their actual needs. The case reemphasizes the inherent difficulties of financial adjustment under a method of per-capitation allowances for administration upon the same principle as doctors are paid on a per-capitation basis, not for services actually rendered, but for potential services, which may or may not be rendered.

†Of exceptional interest is a statement by the High Chief Ruler of the Independent Order of Rechabites (Bro. S. A. Scarlett) in his annual address delivered at the forty-ninth annual conference, August, 1914, reading, in part:

"The time has come when the grant for Administrative purposes fixed at the passing of the Insurance Act, should be reviewed. We are told by competent Actuaries that it is sufficient for the private side and therefore should be for the State, but surely any Actuary or Commissioner who has any experience of Friendly Society work, knows that the amount of detail demanded from our Secretaries by the State is six-fold more than from the private side. We have no Insurance Commissioner's regulations or Inspectors to harass us in our work. Under the Insurance Act, we have been governed by the Commissioners, and I freely admit that they have done their work in a masterly way, although many times in common with my fellow District Secretaries, I have thought, if not said, wicked things about them; nevertheless, having a regard to the difficult task they undertook, I think we can say that we shall never see their like again. What our experiences will be under the Local Government Board—I beg its pardon, I mean the Ministry of Health—remains to be seen. Our work will certainly not be lessened while our expenditure for administration must be largely increased.

"Those who are opposed to an increase of Administration Grant, fail to realize that in the old Friendly Society day men worked more for the love of the movement than from any remuneration that it brought them; working at their own trades in the daytime and for the Society at night. To-day they have to give their whole time to the work, and the remuneration possible under the amount allowed will not keep them in the same position that they were in pre-war times when following their own employment. We have to provide for clerks. We have to face the excess postage and cost of stationery, and we are expected to do it on the amount paid by the old Friendly Societies twenty years ago. It can not be done!"

An important matter in this connection is the alleged waste of time in useless committee meetings on matters which in private enterprise would be disposed of much more quickly and more efficiently by executive authority. But the most lamentable conclusion of an extended inquiry into friendly-society management is the practical certainty, in the opinion of an officer in high authority, that "the whole spirit has changed and that the old order was hopelessly gone," and "that the attitude of members is decidedly more material" and that "there is a lessening interest in the character-forming elements of Friendly Society Membership, largely because of the entirely impersonal relations resulting from National Health Insurance, where it is obviously to the advantage of every member to derive as large a monetary return from his investment as possible." It is probably safe to assert that while state insurance has possibly not directly been the cause of a decreased membership, it has unquestionably hindered the growth in membership or the influx of new members, including the important juvenile section. The fact is often overlooked that the 5d. paid by the insured in the state section is quite a substantial deduction from the normal margin of income usually available for insurance purposes. In a recent debate on unemployment insurance, Mr. Sexton, M.P., in the House of Commons, took occasion to say that if the burden of insurance in the wage-earners' budgets continued to be increased, it follows that by placing these burdens on industry there must be a corresponding increase in the cost of production, for, he said, "if you take 3d., 4d., or 5d., from a man's wages every week, in addition to what he is now paying, you are reducing the purchasing power of his wages." But what is true of health insurance as an element in the cost of production is equally true of all needless insurance burdens with reference to the family budget. The one form of insurance being compulsory, the voluntary side must suffer, more so when the burdens, as is said to be the case in many industries, with reference to unemployment insurance, are wholly unnecessary. For this and for other reasons it is the judgment of many who have given impartial consideration to the question that it is true of compulsory health insurance, as it would be true of unemployment insurance, in the words of Lieutenant-Commander Kenworthy, in the House of Commons, on July 2, that "This whole scheme of unemployment insurance in this country is wrong." The scheme is not one of insurance, regardless of high-sounding pretense, but one of public relief in a skilfully disguised form.*

The Dying-Out of the Fraternal Spirit

But whether economically sound or unsound, there is no question of doubt as to the conclusion that "There is an entire lack of that fraternal spirit which formerly permeated the Friendly Societies," and that, as a result of this change, "the Friendly Societies had to adopt more modern

*For an extended discussion of British unemployment insurance, see my address read at the Annual Meeting of the National Civic Federation, New York City, February 14, 1921.

and commercial methods than they hitherto had and that to a growing extent they now look more carefully into all their affairs than has been necessary heretofore." The introduction of commercial methods, particularly as regards paid-for canvassing for new members, must necessarily increase the expense-rate and, correspondingly, the cost of insurance. Instead of broadening the spirit of mutual aid, there prevails now a more contracted and suspicious point of view, emphasized in countless rules and regulations and a large paid supervisory staff, to safeguard the interests of the State against malingering and fraud.*

It has been pointed out to me in this connection that, while it is no doubt true that "the methods of the old Friendly Societies were in many cases crude, they were sufficient and worked well for the class of people for which they were catering. There was such an *esprit de corps* among the members that they hesitated to claim on the funds unless they were compelled to do so and they were proud to say that they had been for many years members of the Society and had never made a claim. For this reason the experience of the Society was light and when comparing one claim with another the result was that nothing but genuine claims were paid." But with the advent of national health insurance matters changed, and the old methods had to go, and in many instances the old management had to go with them. "The result has been that, instead of the management being in the hands of men in the same class as the members, in many instances these working-class institutions have had to call in the aid of the professional class, such as accountants, etc., to keep their affairs in order. The further result, of course, has been a great tightening-up of the management and a much higher standard of administration; but one can not but feel sorry that so many of the working-class secretaries have had to be displaced." The writer to whom I am under obligation for the foregoing statements is one of the leading friendly-society officials, and he concludes his letter with the statement that "Should your country contemplate introducing a system of National Health Insurance, I consider that it would be well-advised to give deep and careful consideration as to whether the scheme should be contributory or non-contributory. I admit that I have not considered this subject sufficiently to entitle me to give any very valuable opinion on it, but it appears to me that the machinery that has had to be put up here to administer National Health Insurance is so costly that it would be well worth consideration as to *whether a non-contributory scheme would not have been profitable.* With the Friendly Societies already in existence here, it was perhaps easier than it might be in other countries to work out a contributory scheme, but it

*The conclusion that the old friendly-society spirit is no longer as active as in former years finds support in the *Rechabites Magazine*, of November, 1919, reading, in part:

"There is no use in concealing the fact that apathy exists in Friendly Societies to a greater extent than ever in their history. It was manifesting itself before State Insurance came into being, and since its coming it has been intensified. Leaders of Orders would do well to make more than a mental note of the symptom. Whatever responsible Labour leaders may argue in favour of State control of this or nationalization of the other thing, the average working-man who has had experience of things State-controlled during the war and since has got 'fed up' with the methods of the State official. Recent experience of the Labour Exchanges by out-of-works and strikers has been a sufficient object-lesson for most of them."

does appear to me that in starting an entirely fresh scheme, much could be said in favor of one which was non-contributory."

Fallacy of Compulsory Thrift

The foregoing suggestion is entitled to profound consideration. It is needless to say that all compulsory thrift, so-called, is but a method of enforced taxation, and not insurance in any sense of the term. Having no intrinsic moral objective, it is immaterial whether a part of the payment is derived from contributions directly made or whether the whole of the payment is contributed indirectly through the employers, the State or the enhanced cost of the product and the consequent lowering of wages. Great Britain adopted non-contributory old-age pensions in 1908, for the same reasons governing in the case of so-called compulsory health insurance, which apply in any scheme or method which is concerned with the need of qualified medical attendance, drugs, nursing, hospital service, etc. There are no more reasons why such a service, if it has to be standardized, should not be public in the accepted sense of the term than there are why contributions should not be charged for public education, public libraries, public baths and public parks. The authority to whom I have referred continues his letter on this point as follows: "In framing any scheme of National Health Insurance, whether contributory or non-contributory, careful consideration should be given to its probable effect upon the public, because it affects them to a greater extent than merely with regard to their physical condition. I am not opposed to legislation of a socialistic character merely because it is socialistic, for, as I have said before, I believe that in the main National Health Insurance has been beneficial. What I desire to point out, however, is that for some years the trend of legislation here has been socialistic, and although we now accept it as merely what is right and proper, the past generation would have looked askance on what is now accepted without any fear as to its ultimate result. As you are doubtless aware, the Scottish nation, on account of the comparative poverty of the country, became one of the hardiest, most thrifty and self-reliant people; but there has undoubtedly been a weakening of late in its individual self-reliance and a tendency to look more and more to the Government to do something for the individual, for while many schemes may in theory be idealistic it is the duty of the Government to consider what effect they may ultimately have on the population. And certainly a non-contributory scheme of insurance would have the effect of making people more apathetic towards insurance than they are by a State contributory scheme." This conclusion, however, does not necessarily follow. If the principle of compulsion is adopted, it is maintained for the present purpose that it is better to carry through a

universal plan of assistance and relief on a non-contributory basis than on a contributory basis. In either event, infinite harm will be done to the theory of voluntary thrift, which naturally must be discouraged among a people no longer compelled to rely upon their own efforts in their own way and at their own cost. In my own judgment either plan is ill-advised, as long as it is made to rest upon needless compulsion, in a democracy in which the standard of living should be sufficiently high to afford to each and all a sufficient means to provide for the essential needs of sickness and old age.

Demands for a State Medical Service

The foregoing observations chiefly have reference to the Hearts of Oak, but in a general way they apply to all friendly societies transacting national health insurance. A careful reading of the periodical publications of the leading orders reveals an attitude of serious apprehension as to the future. There is a consensus of opinion that the medical benefit is totally unsatisfactory to the membership and that the sickness benefits are entirely too small. The view-point regarding medical benefit is set forth in an address by Mr. J. Grieve, P.P.C.S., of the Loyal Order of Ancient Shepherds, who on August 16, 1919, in an address at Glasgow is reported to have said that "a State Medical Service is the only solution of a complex problem." It was pointed out in this connection that, if medical benefit were extended to dependents, this would practically bring ninety per cent. of the population within the scope of national health insurance. This being the case, it is argued that the cost of the medical service at least should be defrayed out of general taxation, for, aside from the question of obvious injustice in making the uninsured pay for benefits received by the insured without a proper adjustment of the contributions, it is held that under the insurance acts a maximum amount has been paid for a minimum of service. The defects of the present service are summarized in the statement that "There is no provision for consultant service, nor for special treatment. There is no institutional service, no maternity service, no nursing service, while auxiliary service, such as convalescent homes and provisions for ambulances, are almost wholly of a chargeable nature." It is therefore argued that what is wanted is "a system which will provide all these needs and which every member of the community would be entitled to as a right and not have to beg for as a charity." The argument advanced is made to rest upon a notable contribution to the problem of a public medical service by the clerk of the Insurance Committee of Glasgow, who, in the light of an extended experience, has presented certain calculations as to the probable cost of such a service for a population of 100,000, as follows:

PER-CAPITA COST OF A PUBLIC MEDICAL SERVICE

	s.	d.	s.	d.
General Medical Treatment	2	9		
Treatment of Children and Married Women	1	5 3/4		
Maternity Attendance	0	7 1/4		
Specialist Treatment	0	5 3/4		
			5	3 3/4
Nursing (including general nursing, supervision of children and married women and attendance at maternity)			1	1 3/4
Dental Treatment			0	1 1/2
Drugs, Medicines and Appliances			1	3 1/4
Administration			0	3 —
			8	1 1/4
Institutional Treatment				
General Diseases	4	3 1/2		
Maternity Hospital Treatment	0	1 3/4		
Convalescent Homes	0	3 1/2		
Ambulance Services	0	0 3/4		
			4	9 1/2
			12	10 3/4

This is an extremely interesting calculation, being based in part upon actual experience in a representative industrial community, while at the same time due consideration is given to what may normally be assumed to represent a complete system of public medical assistance in the accepted sense of the term. Attention is directed by Mr. Grieve to the fact that "For 2s. 9d. general medical treatment can be obtained which under the Insurance Act costs 7s. and that a complete medical service will not cost more than 12s. 10 3/4d. per capita, against which may be placed the 9s. 3d. at present paid for medical treatment, drugs and medicine and the cost of administration under National Health Insurance." All of this, however, has reference only to the treatment of those who are actually sick, for there is no adequate provision made for the real ascertainment of the conditions predisposing to sickness and therefore useful as a means of preventing sickness occurrence in the strict sense of the term.

Inadequacy of Panel Medical Attention

From a somewhat different view-point, the subject of national health insurance is discussed in the *Rational Journal*, the official organ of the Rational Association Friendly Society, an important and progressive organization. In the section on state insurance of the board of management meeting of August 4, 1919, a member took occasion to say that "he never liked National Health Insurance," and he said "the attitude which it seems was required of the Society must be to doubt every medical

certificate and every claimant for sick pay; you must inquire fully into the position of every man or into his condition, by sending at once a sick visitor, but that sick visitor's report was of no value at all against the certificate of the medical man." Speaking to much the same effect, another member pointed out that "he agreed that the medical evidence was but of very slender value," for, "a certificate could be obtained today easier than in the old days of a club doctor," and "to him it appeared that the medical service under National Health Insurance had degenerated into a most miserable service. It was not nearly so efficient as in the old days." At the same meeting a member took occasion to call attention to the need of properly compensating sick visitors, for he said that if they were better paid, they would render better service. With reference to this the statement was advanced that the "general body of members under the State Insurance look on and see the wanton waste of money by the Government and say, 'Why should we do this for 5s. per quarter when we see such waste and such high salaries given to Government officials?' " In other words, in place of the former voluntary system of sick visiting carried on as a serious obligation of membership, there is now a paid-for sick-visiting service which must needs increase the cost of insurance. Whereas formerly there was a strong reluctance to draw benefits from the society unless absolutely called for by the urgency of the case, there is now a strong inclination to take every possible advantage of a fund largely supplied from other sources than the members' own contribution. It is highly significant, therefore, that Mr. Eckersley should have said that "the members knew the societies had no control." This is but one more evidence in support of the assertion frequently made that the so-called democratic self-management of approved societies is largely an illusion and, in fact, in many respects a practical impossibility.

The Old "Club" System and the New

Of course the actual experiences of no two societies have been precisely the same, but the reports of all the different organizations clearly indicate a far from satisfactory financial condition. The required degree of actuarial solvency has not been obtained, and in many cases an increase in contributions on the voluntary side of the act has been found necessary. In discussing the last valuation report of the Rational, the Board of Management plainly say that "the results shown are startling, and once more clearly prove that those who for many years have earnestly voted for an adequate financial reform should have been listened to." There is a natural reluctance to increase rates in the face of the certainty that additional contributions will be charged under national health insurance, aside from heavy contributions for unemployment insurance, with the additional certainty of a further increase in taxation and the cost of living. But these difficulties, no doubt, will in course of time be adjusted, while the inherent difficulties of national health insurance remain. The

whole system rests upon unsound conceptions of insurance, of medical practice and of public assistance in case of urgent distress. In the *Rational Journal* for March, 1920, there is an extended discussion of the subject of the medical services, in connection with which it is said that:

The relation between the medical profession and the Friendly Societies was for many years a matter of much more than one of the payment for services rendered. There was genuine respect and esteem in the old days for "the club doctor." With the advent of the National Insurance Act this popularity received its first blow. The higher scale of payment per member, with no medicine to provide or dispense, freed "the profession" from the control of the Friendly Societies. The doctors no longer had to attend a large number of underpaid workers, who, however willing, could not afford to pay them more than the usual average fee of a penny per week, plus a grateful recognition of their services. Although the fee was low, it must not be forgotten that the average percentage of patients was also equally low, hence the resultant remuneration was fairly good, and it was further increased by the fees for wives and families, which considerably reduced the liability to bad debts in the practitioner's books, and added still further to his earnings.

The point raised here is of considerable practical importance, for it is generally overlooked that the approval of the medical service under national health insurance fails to take into account the material progress in the practice of medicine during the last ten years. The rate of progress would have been even more gratifying if more substantial encouragement had been given to medical practice on the voluntary side. As observed in the article referred to,

After a limited experience of the working of the medical side of the Insurance Act and its consequent calls upon the services of the medical men, it gradually dawned upon the disillusioned friendly society members that they had gained nothing by that Act, in so far as medical service was concerned. They could no longer look for the old-time interest on the part of their "club doctor," but must take their chance and what attention the doctor chooses to give them with the motley crowd of insured persons who daily flocked to the surgeries. The enormously increased numbers on the doctors' panels have thus brought about a limitation of attention formerly given to fewer members—and those paying a low fee per annum. Gone is much of the old-time interest in them and theirs, swamped by the flood of insured persons for whom a high rate of payment is made, all of whom have to be hustled off to the chemist of their choice to obtain portions of the several stock mixtures made up for their delectation and supposed to cure all the ills flesh is heir to without further trouble.*

For these and other convincing reasons the argument is advanced that the time is approaching when more efficient services and speedier attention will have to be given not only to those belonging to friendly societies,

*In a recent controversy between the Worcester County Insurance Committee and the Ministry of Health, with reference to proposed investigations of alleged excessive prescribing and a plan of reexamining every doctor's prescriptions twice a year, the West Midland Joint Committee expressed to the Ministry of Health and to the National Insurance Committees' Association their objection to the whole scheme, on the ground "that it was proposed that the average cost per prescription for the whole area should be taken as the basic figure, and all prescriptions costing more than that figure, plus twenty-five per cent. of it, should be investigated as cases of excessive prescribing. This, they feared, would be to the detriment of patients, because a doctor would naturally not prescribe above the figure if he knew it was going to be sent back to him as being excessive." At the same meeting attention was directed by the chairman to statements made by delegates to the Insurance Committees' Association, "that the panel patients in their area were not treated as private patients by their doctors," and that "the standard in many other areas was not like it was in Worcester, and the delegates feared that if the Ministry's Pricing Bureau scheme was adopted that standard would become still lower."

but also to non-insured persons. Whether a state medical service will accomplish this desired result must remain a mooted point until such a service is inaugurated and its results noted. The present "waiting" system can not much longer be tolerated, and if it is due to the profession being understaffed, then the sooner a remedy is applied, the better for the community at large.

Fallacy of "Democratic Self-Management"

In the foregoing discussion the fact must be kept in mind that there are two classes of contributors under national health insurance, (1) members of approved societies and (2) deposit contributors, who occupy a decidedly disadvantageous position. The advantages of membership in approved societies are officially set forth in Leaflet No. 5, issued by the National Health Insurance Commission (Ireland), as follows:

> Approved Societies are Friendly and Benefit Societies, Trade Unions, sections of Insurance Companies, and other organizations, all of which are required to be under the absolute control of the members.

The term "absolute control" is a misnomer; as a matter of fact the actual control exercised by members of approved societies in important matters of detail is very limited. Assertions of this kind are rather for political effect than to be construed literally, as is often the case. Mr. Horace B. Samuels, in his small treatise on "The Insurance Act and Yourself," for illustration, observes, though speaking very broadly, that "It would be fairer to describe the real scheme of the Act as compulsory insurance in Friendly Societies than as Compulsory Insurance with the State." But approved societies are not necessarily friendly societies in the accepted sense of the term, and, in fact, a strong antagonism exists between different types of approved societies, whose interests are apparently in conflict with each other. Among the additional advantages set forth in the circular referred to it is said:

> The Deposit arrangement, which is only temporary, is intended simply for persons who do not become, or who cease to be, members of Approved Societies. These persons will be known as Deposit Contributors.

This statement, also, is misleading, for the deposit contributor has apparently come to stay, however ill-adapted the system may be to the needs of the casual laborers and the very poor, for whom it was chiefly intended, at least at the outset. Membership of an approved society

> Gives the advantage of a common fund, to which all members contribute, and from which benefits are payable, whereas a Deposit Contributor can only draw upon his individual account.

Each approved society manages and controls, as far as permissible under the law, its own funds and investments. There is no common fund for all approved societies, and no advantages accrue from such a fund as alleged in this circular to exist. There is a strong tendency towards a con-

solidation of experience and the grouping of all the societies into one or more national funds, a suggestion which if carried into effect would virtually mean the end of friendly societies in the accepted sense of the term.

The principles underlying the approved-society system are explained as follows:

> If 1,000 people each paid 6d. a week into a common fund for the benefit of those among them who fell ill, they would have a joint income of £1,300 a year. Those who were lucky enough to be well would not require any of the £1,300, so that there would be available for those who fell ill more than the amount of their own contribution in times of sickness. As, however, none of them would know beforehand whether he was going to be ill or not, it would be well worth while for each of them to pay 6d. a week into a common fund by way of insurance against possible sickness. On the other hand, if one man by himself saved up 6d. a week he would only have these sixpences to be used in case of sickness, and when they were spent he would have no more.

The error which underlies this assumption is that sickness is a certainty in the life of the average individual in the same manner as the duration of life itself. But only the latter is a certainty, whereas the former is a possibility rather than a probability, and profound difference of judgment must arise in individual cases in consequence of this distinction. There is much discontent on the part of those who have now for some years paid the State 4d. a week without having received any benefits in return. It is this fact which encourages malingering, or the undue prolongation of sickness, which is inevitable where the system of sickness insurance rests exclusively on economic grounds. The safeguard of the friendly societies was and is the spirit of true fraternity and a highly developed sense of mutual aid, both of which are absolutely wanting in any form of state sickness insurance.

Deposit Contributors

The circular contains the further argument that under the state scheme a person may either join with other people in approved societies and get the benefit of a real insurance or merely save up for himself as a deposit contributor. The system is not one of real insurance, but of pseudo-insurance, in that the beneficiary has paid for only a given proportion of the benefits which may accrue to him, and being aware of the fact that he derives material advantages from other sources than the intrinsic value of his own contributions, he readily surrenders the power of management in matters of essential details to the State.

With further reference to deposit contributors it is said that

> The difference, therefore, between Deposit Contributors and members of Approved Societies is that Deposit Contributors cease to have benefits when the money standing to their credit is exhausted, whereas members of Societies can go on drawing benefits as long as they need them.

This is a frank admission of the lamentable fact that the deposit contributor is in no sense an insured person and does not derive real advan-

tages from his contributionship, though of precisely the same amount and subject otherwise to the same rules and regulations as is that of the members of approved societies. It was originally estimated that the number of deposit contributors would probably be one million, but in actual experience it is doubtful whether more than half that number of deposit contributors exist at the present time.*

Summary of Conclusions

It is regrettable that no qualified investigation should have been made by Parliament to ascertain the true facts of the experience which has thus far been had. The present policy of the Government can be described only as one of perilous drifting through uncharted seas, with continuous changes in the sailing course, directed by men in ignorance as to the true objective of a political adventure of the first order. It is necessary only to review the important legislative changes since 1911, but particularly the acts of 1913, 1915, 1918, 1919 and 1920, and the truly enormous body of rules and regulations to make clear the conviction that something is aimed at that has not been realized, and that the public has been and is being misled by what has not inappropriately been called "pious phrases and platitudes." From such inquiries as I have made of approved societies I am satisfied that there is practically a consensus of qualified opinion

(1) that the question "Whether friendly societies have lost much of their membership since the act went into operation?" is almost unanimously answered in the affirmative,

(2) that there is widespread dissatisfaction with the administration of medical benefit,

(3) that it is agreed that there is practically no coordination of national health insurance to the work of local health-promoting agencies,

(4) that the trend is strongly towards a state medical service,

(5) that it is frankly conceded that the basic principle of the act is economic, or sickness benefit, instead of hygienic, or medical benefit,

(6) that no attempts have been made to utilize the collective experience for the acertainment of local causes responsible for excessive sickness rates, and, finally,

(7) that the act does not effectively reach the poorest poor,

(8) that the demand on the part of influential trade-unions and others not influenced by sentimental considerations is for one state fund,

*According to Mr. Gilbert Stone, in a text-book on National Insurance, London, 1912, page XVI, "The Post Office contributor is not in fact insured at all." Yet the term "deposit insurance" is repeatedly used in official reports, with others in the First Annual Report (London, 1913 Cmd. 6907, page 158). The number of deposit contributors for 1912 was returned at 395,000, in contrast to an estimated number of from 800,000 to 900,000. For additional and useful information, see the Second Annual Report of National Health Insurance, page 53 et seq. and pages 178-181.

out of which all would share alike, particularly as regards the additional benefits likely to materialize as the result of a favorable experience,

(9) that the act gives no encouragement to voluntary thrift, but, quite to the contrary, discourages the voluntary efforts of friendly societies, with the result that few societies are progressing at the former rate without recourse to the practise of collecting, friendly societies requiring the employment of paid solicitors and collectors. Broadly speaking, there is no voluntary insurance under national health insurance through approved societies in England, while the position of the so-called deposit contributors is a most deplorable one.

The foregoing summary would seem to justify the further conclusion that national health insurance has not resulted in any material advantages to the voluntary membership proportionate to its cost. It requires to be said, however, that the introduction of state insurance has unquestionably resulted in materially improving the managerial capacity of the societies, which, broadly speaking, are today conducted much more in conformity to modern methods of bookkeeping, accountancy and actuarial practice. All of those with whom I have discussed the matter are agreed that state insurance has resulted in an increased expense-rate, clearly inevitable, considering the multitude of new state requirements. One large and progressive friendly society, for illustration, is reducing its expense-rate materially by requiring the insured person to send a representative to the office of the society for the payment of claims. The following is a copy of a circular issued April 7, 1914, which brings out other interesting phases of state insurance:

The abnormally high claim rate—particularly in respect of women members—to which the Committee have previously called attention, still continues to a large extent unabated, and a determined effort must at once be made to diminish the drain upon the Society's Funds.

Experience has proved that the payment of benefit by the Agents is not likely to remedy this regrettable state of affairs; because of their apparent disinclination to co-operate in the wise administration of the Act, by persuading members in receipt of benefit from unfairly prolonging their stay upon the Funds. In the face of such circumstances, the Committee have no alternative but to require ALL claims to be paid in future at the District Office, except in those rare instances where members reside so far away as to preclude this course being followed.

This regulation, which has been continued to the present time, clearly has resulted in a material saving to the society, but it has at the same time eliminated much of the personal contact with the insured, which forms the very basis of friendly-society management. In this and many other directions state insurance has unquestionably had an injurious influence on the growth of the friendly-society movement; in fact, it may be said that the old spirit so typical of the England of the late nineties, when

the friendly societies had reached the highest point in their development as a moral and uplifting force in the lives of British wage-earners, is practically dead. One report after another emphasizes the imperative need of the introduction of a business method to secure membership and to avoid larger losses by voluntary terminations. The membership is being taught by the State to rely upon the State and to expect large benefits through political pressure upon Parliament. Friendly-society work of the old regime no longer appeals to the more material motives and purposes of the membership deriving benefits from both the voluntary and the state side. Voluntary sick visiting, which in years past was one of the best results of the development of a friendly and sympathetic relationship, is now largely out of the question and practically impossible under a state system. The employment of paid visitors necessarily introduces an impersonal element largely one-sided in its major effects upon the interests of the approved societies.

Comparative Benefits Under Voluntary and Compulsory Insurance

I do not recall having ever seen a trustworthy comparison of the benefits paid under the voluntary system as compared with the corresponding benefits paid in the state section; but from such information as has come to me, though more or less fragmentary, it would appear that the societies at the time the act went into effect practically granted more to the members than they seemingly do today for the same contribution when full allowance is made for all the details which require to be taken into account. For illustration, the societies invariably grant a death benefit, which is not included in state insurance, and often a cash payment is made in the event of the death of a member's wife or child, as the case may be. The difference in methods makes an exact comparison perhaps impossible; but it is generally agreed that the societies, if given entire control, could have done much better than has been the case with the State, for the element of competition would have gone far to remedy difficulties for which there seems to be no solution under the compulsory system.

The foregoing considerations leave no conclusion other than that the outlook for the future of friendly societies is most discouraging, and particularly so to those who believe that this type of workingmen's associations, which in its origin dates back to the Anglo-Saxon guilds, should be preserved unimpaired in its usefulness, as a source of strength in the wage-earners' struggle for the attainment and maintenance of a higher standard of life. The evidence here brought together, but particularly the voluminous extracts from the proceedings of the Loyal Order of Ancient Shepherds (Appendix J), proves the blighting effect of compulsion and state control on a social activity which rightly to flourish must, as it ever has, rest upon a voluntary basis. The boast of "democratic management" is a delusion, while the trend towards a consolidation of small societies into larger funds for economic reasons tends to break down the local

lodge of fraternal spirit, with the certainty that in course of time the demand for one national fund will become irresistible.

The demand for the nationalization of sick funds was voided at an annual conference of the National Association of Trade Union Approved Societies, reported upon in the *Rechabite's Magazine*, for March, 1919, after pointing out that

> The sickness and disablement benefits under the act were a farce and an insult to the recipients and that needless suffering was caused to working people because the best medical skill was not represented in the panel practitioner, while the officials of approved societies were poorly paid for their services. The nationalisation of health insurance assets and liabilities, and the merging of all societies into one national approved society was demanded as the only means of securing to unhealthy and dangerous occupations the full benefit of national health insurance.*

Of importance in this connection is the demand of the trade-unions for the inclusion of a death benefit within the provisions of compulsory health insurance. This suggestion is strongly opposed by the friendly societies as likely to prove inimical to their growth and future prosperity. Whether or not this be so, it is a debatable question whether the friendly societies view the future in this respect with apprehension, as partly indicated in the following extract from the *Rechabite's Magazine*, of January, 1920:

> We think that Friendly Societies can deal with the provision of any funeral benefits that may be necessary, and that any extension of Health Insurance need not be in that direction. Whatever the merits of State Insurance no one claims for it the advantage of cheap administration. Friendly Societies already have all the machinery necessary to deal with existing or even extended needs.

Equally unfortunate has become the question as to whether the Government should reimburse the societies, in part at least, for the extra mortality and sickness losses incurred on the voluntary side as a result of the war. This question is also a debatable one, upon which qualified opinions are widely at variance, but the following extract from a recent discussion of the subject at a local meeting of the Loyal Order of Ancient Shepherds will illustrate the prevailing point of view:

> In his remarks the Chancellor said that "he wanted to make it perfectly clear that if the Government assisted the Society in any manner, by even a small grant, it was imperative that they should have Government control. They would examine into the workings to ascertain if they approved of their management, whether they were fairly meeting the liabilities and whether they were likely to do so, into their investments and other funds." This attitude seemed extraordinary having regard to the fact that when State Insurance was introduced the Friendly Societies were patted on the back and their methods practically adopted for the purposes of the national insurance scheme and the work was largely given into their hands.

*It is reported in the *National Insurance Gazette*, of February 5, 1921, that the Minister of Health has agreed to receive a deputation from the Trade Union Congress Parliamentary Committee, who desire to submit the following resolution, passed at the recent Trade Union Congress: "That this congress claims that any health insurance amending bill shall make provision for the nationalisation of national health insurance assets and liabilities to secure for unhealthy and dangerous occupations the full benefit of national health insurance."

Some of the most conservative authorities on friendly societies are strongly opposed to state grants of any kind, as likely to impair the democratic self-governing functions of management. There is full agreement, however, as regards the urgency of a more adequate administration allowance, regarding which the following resolution was adopted at the National Conference of Friendly Societies held in London on April 29, 1920:

> That owing to the continued rise in the price of labour, postage, and materials, this Conference resolves that the sum suggested as the increase of administration allowance to Approved Societies is quite inadequate to meet such charges in future, and demands that the rate to be allowed shall not be less than 5s. per annum for each insured person.

This question is too involved to permit of extended consideration, nor is the time opportune for a full discussion, since negotiations are still in progress as regards the final settlement of the claims that have been made. A departmental committee has recently been appointed by the Ministry of Health to report upon the adequacy of the maximum sum at present allowed to approved societies for the purpose of administration, and there is therefore every assurance that the question, for the first time, will receive extended and qualified consideration. In this connection it may be of interest to quote the following extract from a letter on administration allowance, contributed to the *National Insurance Gazette*, of February 5, 1921:

> May I express an opinion which is supported by considerable experience that the trouble does not lie in the amount allowed for administration so much as in the method —or absence of method—in the administration itself? Approved societies—especially those connected with the Friendly Orders—conduct the outside work of National Health Insurance administration, generally, on the most antiquated and wasteful lines, by employing a multitude of part-time officers and agents, who, while possessing the best intentions, have but indifferent and varied qualifications; men and women who earn their livelihood in some other occupation, and who carry on the work of their society in odd times and at their own convenience. Under these conditions and circumstances, the work is always difficult and troublesome, and has every appearance of being underpaid. (Page 57.)

This extract emphasizes the difficulty of harmonizing voluntary and state activities, on account of the more or less inherently conflicting aims and purposes. But the main point to keep in mind is that the control of the societies in the most essential matter of finance rests entirely with the Ministry of Health and is not, therefore, within the so-called powers of democratic self-management. It must be self-evident to any one that the per-capitation system of administration allowances can not properly meet the widely varying conditions, which in private management are adjusted on the merits of the case. Without enlarging upon this question, which, however, is vital to the friendly-society administration of national health insurance, I conclude with the following extract from a recent article in *The Times*, of London, as quoted in the *National Insurance Gazette*, of February 5, 1921 (p. 63):

When the Insurace Act began in 1912, 3s. 5d. per insured person per year was allowed to Approved Societies for administration expenses. Last year this was increased by 1s., but even with this sum most of the Societies have found it difficult to carry on. The increase in postage and stationery and the rise in the cost of living have proved a great burden, and many of the larger Societies, which are affiliated to Friendly Societies and insurance companies, have had to be subsidized in order to keep them solvent.

Some Societies, however, were able to manage on the amount laid down in the original Act, as was acknowledged, just before the additional shilling was granted, by one or two of their chief officials. It is a strange fact that these small Societies were paying their way, while some of the large Societies in the early days of the Act exceeded the amount allowed to them. It is to be hoped that the new Committee will inquire whether economies can not be made by the various Societies, for many people think that some of the offices are much overstaffed. In any case, care should be taken to see that the foundation of the Act is not so weakened financially as to necessitate it being bolstered up by the Treasury, as was the case in 1918.

A brief mention requires to be made of the results of the recent valuations. The outstanding feature of the valuations as far as completed is, according to the Government actuary, the large amount of the surpluses brought out and the relatively small amount of the deficiencies. Sir Alfred W. Watson explains that "The conditions which have prevailed during the war have greatly affected the finance of National Health Insurance, and it is evident that to a material extent the surpluses now declared are due to this cause." He explains the most significant factors in the production of surpluses, in part, as follows:

The claims for sickness, disablement and maternity benefits have been considerably below the provision made for the expenditure under these heads in the financial basis of the Acts.

It is important to remember in this connection that the super-normal experience of men who were invalided from the Forces has been met by an annual grant from the Exchequer. The relatively heavy liability of married women, which at one time attracted attention, has also been corrected by an annual grant from public funds. In respect, therefore, of both men and women, the societies have been protected from elements of liability that were outside the scope of the original estimates, and accordingly reap the full advantage of the favourable experience which has prevailed.

The interest realised on the investments of the accumulated funds has been appreciably in excess of the valuation rate of 3 per cent. Interest at this rate is credited in respect of reserve values, which at present form the major part of the assets of approved societies, but the great bulk of the funds accumulated since 1912 has been invested in Government securities producing, especially since the war, a much higher rate. Approved societies are exempt from income tax on interest, and therefore obtain the full benefits of the high rates of interest at which they have been enabled to invest.

The receipts from contributions in many cases have exceeded the "expectation." Contributions are not payable in periods of sickness or unemployment, and it follows that in years when sickness is below the average and employment abundant the receipts from contributions show a considerable gain to societies. These conditions prevailed generally up to 31st December, 1918.

War mortality, in the case of men, has added greatly to surplus. The liabilities of societies have been reduced by deaths of which there had been no expectation, while the credits given, and the funds accumulated, to meet those liabilities remain intact.

These conditions favorable to approved society finance are not likely to be repeated in the future. It is therefore an open question whether the policy of liberal additional benefits, which is being adopted, is justified as regards the future position of state insurance without the risk of a material and further increase in the contributions. It may be said, in general terms, that the prevailing view-point favors an increase in the cash benefit rather than additional medical benefits or an enlargement of the conditions of medical treatment, including specialists' services, dental treatment, hospital care, etc. The latter question is giving concern on account of an attitude adopted by some representative hospitals, who insist upon adequate payment for services rendered to state-insured persons. The general effect of the favorable results will unquestionably enhance, for the time being, the status of national health insurance, to the possible further disadvantage of the voluntary branch of friendly societies.

As previously indicated, the societies as a whole have reached a stationary condition. Some are declining in membership, and many of the smaller institutions have dissolved. The reports of the Registrar-General of Friendly Societies are, unfortunately, far behind in date of publication and lamentably inadequate in presentation of comparable statistics, clearly reflecting both the condition and the trend of the societies, whether approved within the meaning of national health insurance or continuing to transact a voluntary business only. Nor does the last report, issued in 1920, for the year 1917, indicate the growing tendency on the part of representative orders to employ paid canvassers, in conformity to the practices of collecting societies and industrial insurance companies. It is difficult to understand the apathy of the public except on the ground of a growing conviction that the old order has seen its day and that the ritual is no longer significant as a means of holding together the membership on the ground of secrecy and fraternity. There is possibly the further conviction that the voluntary thrift requirements are insufficient to meet the modern needs of industrial society and that the incentive of compulsion is necessary to produce the results desired.

The tragedy of the present situation is reflected on every public occasion when the affairs of friendly societies receive extended consideration. The outlook is growing more discouraging, instead of better, and the situation has been complicated by the recent defeat of the societies in not being allowed to participate in the administration of unemployment insurance. This participation was desired as a safeguard against undue competition with trade-unions, which also administered health insurance benefits. It is clear that the Parliamentary influence of the societies is waning, while the compulsory section of the approved societies is increasing in influence and power. Thus the democratic self-management typical of the old-style friendly society is yielding to the bureaucratic influence and control of the State. The tragedy of the situation is so much more regrettable because of the need of any and all agencies giving furtherance to the voluntary thrift

and provident movement at the present time. The friendly societies for more than a century have been a profound and formative influence in the development of the character of the English working people. They have fostered the progress and stability of democratic institutions, and it is largely to their credit that the modern trade-unions owe their early rise to power and influence. Until the advent of national insurance these associations were the subject of the solicitude of the Government, although they were never given the full encouragement and aid of which they were deserving. The friendly societies were sacrificed to the need of a precarious political situation, and now that the harm has been done, the deplorable situation is passed over in silence. But the facts tell their own story: the want of prudence and providence, the lack of enthusiasm, and the growing unwillingness to take the old society point of view—all constitute a solemn warning to American fraternal orders to resist with all their powers the insidious propaganda for compulsory health insurance in this country as a first step, not towards social security, but towards universal pauperism and the decadence of democratic ideals, of independence and of self-help.

Recent developments suggest the practical certainty of further and more far-reaching changes in national health insurance practice. The alterations in the unemployment insurance law in 1916, 1920 and 1921 indicate a growing conflict of interests between the trade-unions and the friendly societies difficult to harmonize. According to *The Democrat*, of December 31, 1920, "The fight made by the friendly societies to secure the right to administer the benefits of the Unemployment Insurance Act of 1920, makes the decision of their representative meeting to take no further steps to administer the Act a matter of grave surprise and concern. . . . Reviewing all the circumstances surrounding the decision, it would appear that few people realized how small were the concessions actually gained from the Minister. The majority of the people in the insurance movement were under the impression that friendly societies and trade-unions had secured the right, on approval, to administer unemployment insurance under the same conditions as obtain for health insurance purposes. These delusions were dispelled by the Ministry of Labour publishing the conditions under which Section 17 could be administered. It was found that instead of the societies controlling the members' insurance as had been expected, they were to be treated solely as paying agents for the Ministry of Labour. Nor could they even pay benefit without previous reference to, and consent by, the Ministry. The various conditions imposed left societies helpless and absolutely dependent upon the Labour Exchanges, and this, despite the fact that they were prepared to spend a considerable sum of money to establish local machinery to cater for the needs of their members. It was fully expected that contribution cards would be issued and collected by societies and that benefit could only be obtained from them. Those who have interpreted the Act and drafted the regulations have taken care that these expectations shall not be realized."

These observations clearly indicate the growing tendency to substitute complete government control and management in matters of compulsory insurance for the so-called democratic self-management, which is largely an illusion. In this connection the article in *The Democrat* points out that "The friendly societies' chief object was to save their members the necessity of registering at the Labour Exchanges, and to provide them with a more efficient and satisfactory method of obtaining their benefit than the exchanges offered." The employment exchanges have doubtlessly brought about many important and desirable reforms, but they have been costly in operation and far from satisfactory to organized labor, which practically makes no use of the exchanges, if it can possibly be avoided. In its final analysis, all social insurance is unemployment insurance, and the time is bound to come when a consolidation of the different sections into a homogeneous, thoroughly standardized, single department will become an economical and fiscal necessity.

Much is being made at the present time of the additional benefits payable as the result of the recent valuations. The experience during the war period was, however, so abnormal as not to justify the anticipation that similar results will be realized in the future. To the extent, therefore, that additional benefits, particularly in the form of supplementary cash payments, are now granted, they in course of time will be looked upon as a right and required to be provided for either through additional contributions or a Parliamentary grant in aid. Nor does it appear to be clearly recognized that the additional benefits are derived from the contributions of the past membership, while they are being held out as inducements to new members who have not contributed towards the accumulation of surplus funds. The same actuarial fallacy, but in a much more serious form, underlies unemployment insurance, under which the increased benefits for 1920 and 1921 are largely paid out of the surplus accumulations of the former membership, which is less than one-fifth of the present, having experienced an extremely favorable rate of employment on account of war conditions, while the results will accrue largely to the benefit of the new membership, which has not contributed towards them. No insurance department of an American State would for a moment tolerate the use of surplus funds available for the payment of dividends to policyholders as an inducement to new applicants for insurance. It is a matter of profound regret that these and other involved actuarial aspects of social insurance in Great Britain should not have received adequate and thoroughly impartial technical consideration.

The same conclusion applies to the larger aspects of British health insurance legislation in its particular relation to the voluntary-thrift movement. The vast amount of existing evidence is practically ignored and rarely referred to in Parliamentary and other discussions. It is something very considerable to the credit of the friendly societies that they, more than any other interest, should have realized the urgency of a policy of watchful

observation, as illustrated in the case of the Loyal Order of Ancient Shepherds, the evidence of which is given in some detail in Appendix J. There is absolutely nothing in the history of social economics that can match the voluntary-thrift movement of Great Britain through the great friendly societies, extending in their operations through the centuries back to the time of the ancient guilds and mutual-aid institutions of the Middle Ages. Yet this effort is today treated lightly and almost contemptuously by those who are under the influence of socialistic doctrines, which have nowhere more disastrously failed than in the country of their origin, the late German Empire.

It has properly been said that the interests of the friendly societies have been entrusted to the present membership "as a sacred charge demanding a renewal of the vow that the high standard of unity and benevolence obtained by them should not be lowered by the gift of a government subsidy." This suggestion was made in an interesting address on "Secret Societies," by Bro. R. Dingle, P. D. C. R., A. O. F., with whose words, better than any of mine, I conclude the present discussion: "The inception of the National Insurance Act was an example of the sort of problem we have been referring to. Some there were who held that sickness insurance being a good thing for the few it must necessarily be a good thing for the many. Others there were who held that a State scheme was vitiated by the element of compulsion which was destructive of voluntary self-help. Both views were quite legitimate, both had force and reason behind them. All societies in 1912 set their seal that they would administer the act in the best interests of the members. That they had done so recent events abundantly showed. A Committee of Inquiry had just been appointed to inquire into the expenses of Approved Societies, and the names of those who were to constitute that Committee were given. It was regretted that not a single name well known in their ranks was mentioned. . . . They had tried leaders of their own in whom they had implicit confidence, and they only were the authorized channels of communication to any Government department."

These and countless other illustrations sufficiently emphasize the growing breach between voluntary-thrift and compulsory-thrift institutions. They make clear the hopelessness of reconciling compulsion with the highest form of altruism applied to the social efforts of wage-earners to improve their own conditions in their own way and at their own cost. They indicate the growing menace to democracy implied in the growth of governmental organizations practically superseding private effort and private initiative as well as private risk in every direction. As thus conceived national health insurance has not only been disastrous to the friendly-society movement, but as much, if not more so, to the true democratic spirit of the present age.

APPENDIX A

NATIONAL HEALTH INSURANCE ACT, 1920.

RATES OF CONTRIBUTION IN RESPECT OF EMPLOYED CONTRIBUTORS.

PART I.

IN GREAT BRITAIN.

In the case of men	10d. a week.
In the case of women	9d. a week.

Contributions by Employers and Employed Contributors.

In Ordinary Cases.

To be paid by the employer		5d. a week.
To be paid by the contributor	men	5d. a week.
	women	4d. a week.

In case of Low-Wage Earners.

In the case of employed contributors of either sex, of the age of eighteen or upwards, whose remuneration does not include the provision of board and lodging by their employer, and the rate of whose remuneration does not exceed 4s. a working day, the following shall be the rates of contribution:—

(1) Where the rate of remuneration does not exceed 3s. a working day—

To be paid by the employer	for men	10d. a week.
	for women	9d. a week.

(2) Where the rate of remuneration exceeds 3s. but does not exceed 4s. a working day—

To be paid by the employer		6d. a week.
To be paid by the contributor	men	4d. a week.
	women	3d. a week.

PART II.

IN IRELAND.

In the case of men	8d. a week.
In the case of women	7d. a week.

Contributions by Employers and Employed Contributors.

In Ordinary Cases.

To be paid by the employer		4d. a week.
To be paid by the contributor	men	4d. a week.
	women	3d. a week.

In case of Low-Wage Earners.

In the case of employed contributors of either sex, of the age of eighteen or upwards, whose remuneration does not include the provision of board and lodging by their employer, and the rate of whose remuneration does not exceed 4s. a working day, the following shall be the rates of contribution:—

(1) Where the rate of remuneration does not exceed 3s. a working day—

To be paid by the employer	for men	8d. a week.
	for women	7d. a week.

(2) Where the rate of remuneration exceeds 3s. but does not exceed 4s. a working day—

To be paid by the employer		5d. a week.
To be paid by the contributor	men	3d. a week.
	women	2d. a week.

The following has reference to the rates of contribution as originally charged under the Act of 1911. The increase in the rates in the meantime does not affect the principle. It has therefore seemed best to retain the old phraseology as given in Pamphlet A as originally issued by the National Health Insurance Commission (England) under date of June, 1912:

RATES OF CONTRIBUTION AND DIVISION BETWEEN EMPLOYER AND WORKER.

26. The amount of the joint weekly contribution due from the employer and the worker is in ordinary cases 7*d.* for a man and 6*d* for a woman, 3*d.* in each case being the employer's part of the contribution.

27. In the case of a worker of the age of 21 or upwards *who is not provided with board and lodging*, and the rate of whose remuneration exceeds 2*s.* but does not exceed 2*s.* 6*d.* a working day, the joint weekly contribution remains 7*d.* for a man and 6*d.* for a woman, but in the case of men it is divided between employer and worker in different proportions.

28. In the case of a worker of the age of 21 or upwards *who is not provided with board and lodging*, and the rate of whose remuneration does not exceed 2*s.* a working day, the joint weekly contribution is 6*d.* for a man and 5*d.* for a woman.

29. Remuneration includes all allowances, whether in money or kind, to which the worker is entitled in return for his services, and where the worker receives payments in kind (unless these take the form of board *and* lodging) it may be necessary, before the rates of contribution due from the worker and his employer respectively can be ascertained, to find the money value of such payments.

30. When an employer undertakes to pay full remuneration to his employees during sickness, the employer's contribution is reduced by 1*d.* a week (or ½*d.* a week in the case of women workers), and the worker's contribution is reduced by 1*d.* per week. (*See* Part IX below.)

Table showing the Amount of the Ordinary Joint Weekly Contribution and its Division between Employer and Worker.

Wages, &c.	Value of Stamp to be affixed by Employer		Amount recoverable from Worker	
	Men	Women	Men	Women
Where the worker receives wages or other money payments either from his employer or from some other person; and	*d.*	*d.*	*d.*	*d.*
(a) *is under 21*—whatever the rate of remuneration . .	7	6	4	3
(b) *is 21 or upwards.*				
(1) Where the rate of remuneration exceeds 2*s.* 6*d.* a working day, OR where board and lodging are provided, whatever the rate of remuneration. .	7	6	4	3
(2) Where board and lodging are not provided, and				
(i) Rate of remuneration exceeds 2*s.* but does not exceed 2*s.* 6*d.* a working day	7	6	3	3
(ii) Rate of remuneration exceeds 1*s.* 6*d.* but does not exceed 2*s.* a working day	6	5	1	1
(iii) Rate of remuneration does not exceed 1*s.* 6*d.* a working day	6	5	0	0

N.B.—Where the worker receives no wages or other money payments the employer is required to affix a stamp of the value of the joint contribution due from himself and the worker and can recover no part of it from the worker.

It should be noted that a uniform Contribution Card is used for all classes of workers, and the employer is therefore advised to consult the above table in order that he may ascertain the correct stamp to affix for each of his employees.

PART VII.—RECOVERY OF PART OF THE CONTRIBUTION FROM THE WORKER.

31. For the purposes of the Act employees may be regarded as falling into three classes.—

(1) Those who receive wages or other money payments from their employers.

The employer of a person belonging to this class can only recover the worker's contributions (*see* Table above) by deducting an equivalent amount from his wages, and he can only recover the amount of the worker's contributions for the period for which the wages are paid. *Deduction cannot be made from wages before the contribution has been paid by the employer.*

(2) The second class of employed persons consists of those who receive wages or other money payments from persons other than their employers (*e.g.*, waiters, cabmen).

If a worker belonging to this class fails to repay to his employer (*i.e.*, the hotel keeper or cabowner) a contribution paid by him on behalf of the worker, the employer can recover the amount of the contribution summarily as a civil debt, but proceedings for its recovery must be taken within three months from the date when the contribution was payable.

(3) The third class consists of persons who receive no wages or other money payments either from their employers or from any other persons (*e.g.*, a housekeeper who receives board and lodging only in return for her services).

The employer of a person in this class is required to pay the whole contribution and can recover no part of it from the worker.

APPENDIX B

NEW SYSTEM OF MEDICAL CERTIFICATION OF INCAPACITY OF INSURED PERSONS FOR WORK

Sir;

1. I am directed by the National Health Insurance Commission (Scotland) to inform you that a new system of medical certification for the purpose of sickness and disablement benefit will come into force on 1st January 1915.

2. This system, which is fully explained in Memorandum 211/I.C., enclosed herewith, is embodied in, and derives sanction from, the Medical Certification Rules (appended to that Memorandum), which have been determined by the Commissioners. The observance of these Rules, and therefore compliance with the requirements of the whole system, will, under the revised terms of the First Schedule to the agreements of doctors on the panel, become a definite part of the obligations of those doctors under their agreements as from 1st January next. Steps are being taken by the Commissioners to extend the operation of this system to institutions approved under Section 15 (4) of the National Insurance Act, 1911; and, as regards persons allowed or required to make their own arrangements under Section 15 (3) of that Act, a further communication will be addressed to Committees on the subject of the revision of their forms of application with the object of securing the provision of certificates to these persons also in accordance with the same uniform system.

3. As will be seen from the Rules, the system requires that medical certificates should be given by doctors in the standard forms determined by the Commissioners, specimens of which are appended to the Rules; and it will accordingly be necessary for all doctors attending insured persons under the Insurance Acts to have in their possession the requisite forms in order that they may comply with the Rules by giving certificates to their insured patients in the prescribed forms and on the appropriate occasions, as from 1st January next. Arrangements have been made by the Commissioners to supply books of these forms of certificate for issue by Insurance Committees to doctors on the panel, to approved systems or institutions, and to doctors attending insured persons whom Committees have allowed or required to make their own arrangements. Each book will contain fifty forms, each of which will be capable of use, on one occasion only either as a First, Intermediate or Final Certificate, accompanied by the appropriate form of declaration by the insured person. The Medical Certification Rules will be printed in the cover of each book.

4. A specimen copy of the book of certificate forms is enclosed herewith and a bulk supply estimated to be sufficient in the first instance for the needs of the area, will be despatched to you in the course of a few days. It will, of course, be borne in mind that, as the new form (Med. 40) will be used for giving medical certificates on all occasions, considerably larger supplies will be required by doctors than have hitherto been necessary in the case of Form Med. 34, which is used under the present system for initial certificates only. In issuing the new books to the doctors, the Committee should intimate that the new forms are not to be used before 1st of January 1915, but that on and after that date certificates are to be given in the new forms and in no others. The books should be issued at an early date, and in any event, of course, in time to enable them to be in doctors' hands before 1st January next.

Special Final Certicates in Certain Rural Areas

5. In addition to the standard forms of certificate (Med. 40), above referred to, the system provides for a special form of Final Certificate (Med. 40a) for use by doctors when certifying insured persons resident more than two miles from the doctor's residence in a rural area approved for the purpose by the Commissioners.

6. These forms of certificate, which are being printed on blue paper to distinguish them plainly from the others, will be provided by the Commissioners, where required, in books of twenty-five; but they must only be issued to doctors practising in rural areas approved for the purpose and must only be used by such doctors in the appropriate cases.

7. No supplies of these special forms will therefore be furnished to Burgh Insurance Committees. Any exceptional case of a district of a rural nature within the boundaries of a Burgh Committee will, however, be specially considered by the Commissioners if put forward by the Committee, accompanied by a statement of the circumstances of the case.

8. As regards County areas, each County Insurance Committee should without delay compile and submit for approval a statement of the portions of their area which may in their opinion be properly regarded as rural, together with a statement of the total number of panel doctors practising therein, and of the aggregate number of their panel patients. As an approximate basis for the preparation of this statement the Commissioners suggest that the Committee should, generally speaking, leave out of account all burghs, and all populous places and villages within the area of the Committee containing more than say 1,000 inhabitants in which there is a resident medical practitioner on the panel. On receipt of such a statement the Commissioners will be in a position to consider the circumstances of the County and to communicate further with the Committee concerned as to the extent of their approval and as to the issue by the Committee of the Special Final Certificate forms.

Special Record of Certificate Books Issued

9. In connection with the issue of the new books of certificates the Commissioners regard it as desirable that a strict record should be kept of the number of books issued to and used by each doctor on the panel or approved institution. Such record would in the Commissioners' opinion be found useful, not only for statistical purposes, but also to enable the stocks necessary for supply by the Commissioners to be accurately estimated and the requirements of Committees promptly satisfied. I am therefore to request that a register should be commenced of the issues to each doctor or institution and kept accurately posted for the purpose of future returns. Further, where doctors are furnished by the Committee with a special form on which to requisition for supplies of certificate and prescription books, etc., it would conduce to the accuracy of such a record if the form of requisition were adapted so as to contain a statement by the doctor as to the number of books in his possession at the time of his requisitioning.

Claims for Sickness or Disablement Benefit by Deposit Contributors

10. The introduction of the new system will involve some changes in the procedure of Insurance Committees in dealing with claims for sickness benefit by deposit contributors.

11. On and after 1st January 1915, deposit contributors (like members of Societies) will be furnished by doctors with certificates on Form Med. 40 in lieu of the certificates at the back of the ordinary claim form (Form 27/I.C.).

12. When a deposit contributor receives a first certificate of incapacity on Form Med. 40 he should complete it and send it to the Insurance Committee, who will thereupon send him Form 27/I.C. with instructions for its completion and return with the next certificate received.

13. When the deposit contributor receives a second (Intermediate or Final) certificate, he should complete the front page of Form 27/I.C., attach the certificate to it, and forward both to the Insurance Committee. The Committee should furnish their

certificate to the Commissioners (39 Buckingham Terrace, Edinburgh) on the usual form (Form 335/A.G.D.). If the illness continues after the date of the second medical certificate the contributor should fill up the right hand side of the further certificates received from the doctor and send them to the Committee. Further claims on Form 27/I.C. are not necessary.

14. A supply of notices to deposit contributors (Form 625/A.G.D.) of this change of procedure will be sent to the Committees. A copy should be attached to each Form 27/I.C. issued, the doctor's certificate forms and the first four instructions on the back of that form being cancelled before issue.

Claims for Sickness or Disablement Benefit by Members of the Navy and Army Insurance Fund

15. As regards members of the Navy and Army Insurance Fund, Forms A.S. 83, A.S. 84, and A.S. 85 will be discontinued from 1st January 1915; and Form Med. 40 will be used in their place. When a member forwards a First Certificate on Form Med. 40, the Insurance Committee should retain it until the second (Intermediate or Final) certificate is received. The two certificates should then be forwarded to the English Commission (29 Queen Anne's Gate, London, S. W.), together with the Committee's recommendation on a new form (A.S. 161), a supply of which will be sent to the Committee before 1st January. Members of the Navy and Army Insurance Fund will be informed of this change of procedure, and will be instructed to write the words "Navy and Army Fund" at the head of the Form Med. 40.

General

16. A copy of Memorandum 211/I.C. is being forwarded by the Commissioners direct to every doctor already on the panel. The Committee should themselves forward a copy of that Memorandum, when first issuing a supply of Forms Med. 40, to any doctor who may hereafter place his name upon their panel, and to every doctor attending insured persons allowed or required to make their own arrangements.

17. A special Circular (A.S. 156) is being addressed to every Approved Society, enclosing a copy of Memorandum 211/I.C. and a model leaflet for issue by Societies for the instruction of their members as to the procedure necessary under the new system. Copies of both documents are enclosed herewith.

18. The Committee will, of course, appreciate the necessity for acquainting themselves with the principles and details of the new system of certification, insasmuch as they will be responsible, as a condition of their participating in the special Exchequer grant of 2s. 6d., for securing the observance of the Medical Certification Rules by the doctors in their area, and for taking the necessary action in connection with any breach of those Rules.

19. A further supply of Memo. 211/I.C., sufficient for issue to each member of the Committee, and for the purposes referred to in paragraph 16, will be forwarded at once.

I am, Sir,

Your obedient Servant,

(Signed) John Jeffrey,

Secretary.

The Clerk to the Insurance Committee.

APPENDIX C

This Circular is issued under the authority of the Insurance Commissioners for England, Scotland and Wales. It does not apply to Ireland.

CIRCULAR A.S. 156.

NATIONAL HEALTH INSURANCE.

Supervision of Claims for Sickness or Disablement Benefit.

I. NEW SYSTEM OF MEDICAL CERTIFICATION.

1. The National Health Insurance Commissioners for England, Scotland, and Wales desire to inform Approved Societies that on 1st January 1915 a new system of medical certification of insured persons will be brought into operation in Great Britain. This system, which has been arrived at as the result of many conferences with members of the medical profession in all parts of the country and with representatives of Approved Societies of all types on the Advisory Committees, is described at length in the accompanying Memorandum 211/I.C., which it is most important that Societies should study carefully and without delay, in order to become thoroughly acquainted with the details of the new procedure, the present Circular being confined to its main features as it affects Approved Societies.

2. It will be seen that under the scheme a uniform procedure and uniform requirements in the matter of certification are for the first time imposed on all panel doctors under their agreements with Insurance Committees.* This procedure is set forth in the Medical Certification Rules, a copy of which is appended to Memorandum 211/I.C. The forms of certificates, with which are combined forms of declarations by insured persons, will be supplied to doctors at the public expense, through Insurance Committees. Specimen copies are enclosed.

3. It is important that Societies should understand that, while all panel doctors* will be under an obligation, on and after 1st January 1915 to furnish certificates in accordance with the new Medical Certification Rules, they cannot be required, and Societies should not attempt in any case to induce them, to do any of the following things:—

(1) to furnish certificates in any other form or on any other occasions than those required by the Medical Certification Rules;

(2) to furnish Certificates on any particular day of the week;

(3) to ante-date or post-date certificates, *i.e.* to append to their signature on the certificate any date other than that on which they sign it.

4. The Commissioners are satisfied that any Approved Society, whatever its form of constitution or its present practice in the matter may be, can make satisfactory provision, as regards notice and proof of incapacity for work, for the administration of sickness and disablement benefits under the new system of medical certification. They desire, however, to impress upon Societies that the full advantages of the new system can only be obtained by adherence in all ordinary cases to the following general arrangements:—

(1) The Notice of Sickness and accompanying First Certificate should not be treated as an application for benefit; and payment of benefit should not be made until a second certificate and accompanying declaration have been received from the member.

*Insured persons who have made their own arrangements for medical benefit under Section 15 (3) of the National Insurance Act, 1911, and those receiving treatment through an Approved Institution under Section 15 (4) of the Act, will also be furnished by their doctors with certificates in the standard forms.

& G Ltd Wt 4550/ Gr. 339 12-14 10,000

(2) Subsequent weekly payments of benefit should not be made (except in the special cases referred to in paragraph 6 below) unless an Intermediate Certificate and accompanying declaration have been received from the member since the last payment of benefit was made; but, if such certificate and declaration have been received, and the Society is satisfied that benefit is payable, the full weekly payment may be made on each weekly pay-day unless a Final Certificate has been received.

(3) Members should be required in all cases to send a Final Medical Certificate and accompanying Declaration before returning to work.

5. In any cases where the Society receives from the doctor the notice required by Rule 11 of the Medical Certification Rules, they should accept as satisfactory (subject only to the safeguards detailed in paragraphs 45 to 47 of Memorandum 211/I.C.), medical certificates in which the cause of illness is stated in less precise terms than usual. Societies must take steps to secure that the confidential nature of these notices is respected. If the notice is sent by the doctor elsewhere than to the person or body responsible in the first instance for passing the claim for benefit, the necessary intimation should be promptly sent to that person or body.

6. In cases in which it is clear from the nature of the member's illness that he must necessarily remain incapable of work for some considerable time, a Society may be satisfied with Intermediate Certificates at intervals of more than a week, and where they so decide, they should inform the member accordingly. The intervals are also subject to extension in the case of members who, while still unfit for work, are sent away from home for the benefit of their health (*see* paragraph 37 of Memorandum 211/I.C.).

7. There are certain special cases in which circumstances make it impossible for the member to obtain the requisite certificates from the doctor who attends him for purposes of medical benefit. In these cases the Society must rely upon such other sufficient evidence as can be obtained. They are dealt with in paragraphs 35 to 39 of Memorandum 211/I.C.

8. It is important that members should obtain medical certificates for all periods of incapacity, even where benefit is not claimed (*e.g.* in cases in which the member is in receipt of full remuneration from his employer under the conditions of Section 47 of the Act of 1911, or is suspended from benefit on account of arrears), as such periods of incapacity are ordinarily to be treated as periods for which benefit was paid. It is also necessary that a Society should be notified of all periods of incapacity in order that the non-payment of contributions may not be reckoned against the member as arrears. The First Certificate and the Final Certificate should therefore be furnished in all cases; but it will be for the Society to determine at what intervals Intermediate Certificates should be furnished when benefit is not claimed.

9. The Commissioners feel sure that they can rely on Societies to co-operate to the utmost possible extent with doctors in order to secure the full advantages of the new system. They will be ready at any time to furnish any assistance in their power to particular Societies who may in the early stages of the introduction of the new system require some help or advice.

10. Societies should take the earliest opportunity of considering whether any amendments are desirable in their rules as to notice and proof of sickness in order expressly to adapt them to the new system of certification. A series of model rules is contained in the Appendix to this Circular; but it is, of course, open to Societies to adopt such modifications and additions as may be desirable, so long as they are not inconsistent with the new scheme.

11. A short statement of the main features of the new system as it affects insured persons is enclosed. Societies are strongly advised to communicate the substance of this statement to their members at the first opportunity after 1st January. The Commissioners have had the statement printed in a size suitable for enclosure with

Insurance Books, and Societies which do not desire to incorporate additional matter of their own can obtain a supply (in time for distribution with the Insurance Books early next year) on application to the Commissioners.

II. Sick-Visiting.

12. The above paragraphs deal with the forms in which the medical certificates required under the Act will in future be supplied and the occasions on which they will be supplied. It must, however, be clearly understood that the responsibility for determining whether a member is entitled to sickness benefit* rests not with the doctor but with the Society; and that, although the medical certificate constitutes a very important part of the evidence upon which the Society have to base their decision, it is not the only evidence that they may have to take into account in determining whether benefit is payable. It is very desirable that the Society should be in a position to obtain other evidence which will supplement the evidence of medical certificates and so to exercise a regular supervision over sickness benefit claims.

13. This will be attained by means of a system of sick-visiting, which is an essential part of the adminstration of every properly conducted Society. The primary function of the sick visitor is to report to the Society as to the member's behaviour during sickness, with a view to satisfying the Society that the rules in this respect are being complied with, in particular that the member is not working; but the sick visitor will also call the Society's attention to any case in which the member's actions appear to be inconsistent with his state of health as described in the medical certificate. Sick visitors should therefore be specially instructed to acquaint themselves fully with the rules of the Society as to behaviour during sickness; and the visitor should be furnished with any information in the Society's possession with regard to the member which will assist him in carrying out his duty.

14. The attention of Societies is particularly directed to the requirement of the Act that women members are to be visited during sickness by women only.

15. A satisfactory system of sick-visiting should secure that visits are made at irregular times, as regards both day and hour. A system under which visits are always paid on the same day of the week, or never paid except in the evening, does not provide adequate supervision. While some Societies have found it possible to secure adequate supervision by means of part-time visitors, others have found it advisable with this end in view to entrust the duty of sick-visiting to a salaried officer appointed either on their own behalf, or in certain instances by two or more Societies in the same locality co-operating for this purpose. It is undesirable that the remuneration of sick visitors should be on the basis of the number of visits paid.

16. Experience is showing that Societies have derived great advantage from systematising the duties of their sick visitors. Generally the sick visitor should furnish a written report on a form, in which he can set out the answers to certain specific questions so far as he finds possible. Such form will be of value *(a)* in directing the mind of the visitor to the points to which he should give attention; *(b)* in securing that the information which he obtains is reported in a more precise form; and *(c)* as written evidence in the event of disputes. The Commissioners will be prepared to make further suggestions in connection with sick-visiting, if desired by any Society.

17. The efficiency of sick-visiting will be enhanced by securing that as far as possible members are visited before the first payment of benefit is due; and a visit should at all events be made within the first week after notice of sickness is received by the Society. Similarly, further visits should ordinarily be made, and reports furnished, before each weekly payment of benefit is due. The sick visitor's report should ordinarily be sent to the person or body responsible in the first instance for passing the claim for benefit.

*For brevity the term "sickness benefit" is used here and elsewhere in this Circular, but it must be understood as including disablement benefit, to which the same considerations apply.

18. It must be borne in mind that a sick visitor cannot be expected, and should not be allowed, to act as a medical adviser. The proper means of obtaining further evidence on matters which require any medical knowledge is to refer the case to the doctor in attendance, or to a medical referee (*see* paragraph 20 below). In order to remove any misunderstanding on this point, the Commissioners desire to impress upon Societies the very unfortunate consequences which may follow if a sick visitor attempts in any way to interfere with what is the doctor's province; and sick visitors should be instructed in no circumstances to exceed their duty by such action as removing surgical bandages, or giving a patient instructions contrary to those of the doctor attending him, *e.g.* by pressing him to declare off the funds and return to work without further reference by the insured person to the doctor. These considerations do not affect the proper function of a sick visitor to report to the Society any facts observed by him which appear to him as a layman to be inconsistent with the patient's condition as stated in the doctor's certificate; and the Society can, of course, in such cases take such further action as may be appropriate to the case. (*See* paragraph 20 below).

19. On this and similar points Societies are recommended to study carefully the recommendations in the recently published Report of the Departmental Committee on Excessive Sickness Benefit Claims.*

III. Medical Referees.

20. Cases will arise where the Society, after considering the evidence both of the medical certificates and of the sick visitor's report, will still be in doubt whether or not benefit should be paid. Where this doubt arises on some medical point, the doctor in attendance may often be able to help, *e.g.* by supplying additional particulars in the next certificate he gives to the insured person. In some cases of doubt on medical points the Society's proper course will be to refer the case to a medical referee, first informing the doctor in attendance of their intention, and seeing that he is informed of the time and place of the proposed examination; the arrangements made should, in any case, secure that a member is not required to visit the referee if it would be dangerous to his health to do so. Practically all Societies have power under their rules to require any member claiming benefit to submit himself to examination by a doctor appointed by the Society for the purpose, and to defray the cost of such examination out of the Administration Account. Pending the appointment of Government Medical Referees (as to which the Societies will be given full information in due course), Societies should not hestitate to avail themselves of this means of obtaining further medical evidence in doubtful cases, where the doubt is of such a nature as to render this course appropriate.

December 1914.

Model Rules for Societies wishing to amend their Rules in connection with the New Scheme of Medical Certification.

N.B.—When making amendments the Society should by a resolution rescind, as regards members in England, Scotland and Wales, such existing Rules or parts of Rules as may be inconsistent with the new Rules.

(1) An insured member who is rendered incapable of work by specific disease or bodily or mental disablement, whether or not he claims sickness or disablement benefit, shall immediately obtain a First Medical Certificate of incapacity for work and shall on the same day that he obtains it send it to the Society, together with a Notice of Sickness.

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*[Cd. 7687.] To be purchased, either directly, or through any bookseller, from Messrs. Wyman and Sons, Fetter Lane, London, E.C., and 54 St. Mary Street, Cardiff; or H.M. Stationery Office (Scottish Branch), 23 Forth Street, Edinburgh. Price 9*d.*; by post 11½*d.*

(2) A member who has furnished a Notice of Sickness shall, at the termination of incapacity for work and before returning to work, obtain a Final Medical certificate of incapacity, and shall on the same day send it to the Society, together with a Notice of Termination of Sickness; provided that where the Commission have approved special arrangements for a rural area the arrangements with regard to Final Medical Certificates and Notice of Termination may be modified accordingly.

(3) An insured member who has given notice of sickness in respect of which he claims benefit, and has not sent notice of termination of sickness within eight days of the date of the first certificate, shall, not later than the eighth day, and thereafter once in each week until he sends notice of termination of sickness, send to the Society a medical certificate of continued incapacity for work together with a declaration that he has abstained from work during the intervening period; provided that the Society may, if it thinks fit in a particular case, allow certificates of continued incapacity for work to be furnished at longer intervals than one week.

(4) An insured member who has given notice of sickness in respect of which he does not claim benefit shall, until he gives notice of termination of sickness, send to the Society medical certificates of continued incapacity for work, at such intervals as the Society may require.

(5) Where forms of medical certificate and of the corresponding notice or declaration by the member have been approved by the Commissioners, the certificate, notice, and declaration referred to in these Rules shall be in the appropriate forms so approved.

(6) Nothing in these Rules shall preclude the Society from admitting evidence of incapacity for work other than the medical certificates referred to in these Rules.

(7) These Rules shall not apply to any member whilst in Ireland.

APPENDIX D

I.C. No. 651.

National Health Insurance Commission (Scotland),
83 Princes Street, Edinburgh,

9th June 1916.

The Clerk to the Insurance Committee.

Sir,

MEDICAL CERTIFICATION.*

1. The Scottish Insurance Commissioners have had under consideration the returns furnished by Committees in regard to the working of the system of medical certification during the first six months of 1915. It would appear that, in a number of cases, technical breaches of the Medical Certification Rules were committed through doctors and societies not having made themselves fully acquainted with the Rules, and that in many such cases Committees rightly took action to direct attention to the requirements of the Rules.

2. Circular letters have been addressed by the Commission to all Insurance Service Practitioners and to Approved Societies with registered offices in Scotland, impressing to them the necessity for strict observance of the Rules, and dealing with certain matters of difficulty that have emerged as the result of experience. Copies of these letters are enclosed for your information.

3. As ample time has now been afforded for educating all who are working the system, it is important that not merely serious breaches of the Rules, but even technical infringements should be dealt with firmly, and such action taken as will prove an effective deterrent. Committees should not hesitate to deal with all complaints as to certification under Article 45 of the Medical Benefit Regulations, and to take appropriate action in cases which are substantiated.

*Closely related to the question of medical certification is the problem of the keeping of medical records by panel physicians. This subject has within the last few months been one of extended controversy, on account of the adoption of new record cards, which are said to violate the principle of professional secrecy. The form was based upon the recommendations of an interdepartmental committee, of which Sir Humphry Davy Rolleston was the chairman. (Parliamentary Paper Cmd. 836, London, 1920.)

It has been said that the mistake of the committee was its recommendation "to issue cards to all insurance practitioners for all insurance patients, not recognizing that a very large proportion of these practitioners either by training, temperament, or by the arduous nature of their work are not fitted to keep such accurate records as to be reliable for statistical or other purposes." It has been claimed, however, that "the Government is entitled to know what attendances are being given to the insured population." But in the words of a panel practitioner, "The panel record card system puts the profession in the ambiguous position of the mythical preacher who taught us to act according to his preaching but not according to his deeds." For, it is said, in explanation, "Records for statistical scientific purposes we could understand even if we disapproved of the burden of keeping them. Records for disciplinary purposes we could understand. But records for clinical purposes! Have men become so altruistic that they have forgotten self to such an extent that all their past illnesses are forgotten?" The correspondence on this subject in the medical and the lay press is one of the most extraordinary revelations of the irreconcilable conflict between the public and the Government. The difficulties of the situation are summed up by Dr. H. B. Billups, of Sandown, Isle of Wight, in a letter to *The British Medical Journal,* of March 5, 1921, as follows:

"1. A diagnosis has to be made and a prescription written. I am not sure whether this prescription ought to be on the usual insurance forms in triplicate or on private prescription forms.

"2. Next a certificate has to be given that the patient is unfit for work.

"3. Then an account for temporary residents has to be filled up and signed by the patient and endorsed by the doctor to the effect that the patient cannot produce his medical card and has paid a fee.

"4. Next a continuation card has to be filled in with any necessary clinical details.

"5. And an official receipt has to be given for the fee paid. It frequently happens that the patient then goes home, and the doctor sees him no more.

"6. It is now the duty of the doctor—who supposes, from the non-appearance of the patient for, say a week, that the case is concluded—to send up the form of account and the continuation card to the clerk to the Insurance Committee."

He concludes with the question "Is not this an absurd amount of red tape?" and he holds that "Its only object as far I can see is to pander to careless patients. Would it not be much better and simpler to make patients who cannot produce their medical cards pay fees like private patients? Perhaps no recent aspect of national health insurance is deserving of more thoughtful consideration on the part of those who desire to grasp the true importance of state activity in a field heretofore considered exclusively one of private enterprise.

4. It is observed that cases of irregular certification are sometimes disposed of by the Clerk on his own responsibility. The Commission are of opinion that the matter is so important that all irregularities connected with certification, however slight they may be, should at least be reported to the Committee for their information.

5. It will greatly assist the Commission in their administration of the Special Parliamentary Grant of 2s. 6d. per insured person in aid of medical benefit if the functions of the Insurance Committees under Article 45 and Part VI. of the Medical Benefit Regulations have been adequately performed. All certification complaints received by Insurance Committees should also, in future, be intimated to the Commission. The transmission of a copy of the minutes of the meeting of the Committee or Sub-Committee with regard to each case will be sufficient report.

6. In cases where a practitioner is found to be in breach of the Rules, a deduction from the Grant by the Commission, corresponding in amount to the nature of the offence, will be in the interest, not only of societies and of insured persons, but also of the general body of Insurance Service Practitioners who are loyally observing the Rules. In this connection the Committee should keep in view their powers under No. 13 of the Conditions of Service whereby they may recover from the practitioner any expense or loss which they or the insured person may suffer in consequence of the practitioner's breach of his agreement (see paragraph 171 and page 171 of "Handbook for the use of Insurance Committees in Scotland").

7. In flagrant cases a mere deduction of Grant may not be sufficient, especially for repeated offences. Any such cases should, therefore, be carefully considered with a view to a representation being made to the Commission under Articles 53 and 54 of the Medical Benefit Regulations.

8. In order that the Commission may have further information on the working of the system, I enclose copies of returns relating to the two half years from 1st July to 31st December 1915, and from 1st January to 30th June 1916, and shall be glad if you will complete the return for the former period by the insertion of the necessary particulars and retransmit it to me at an early date. The return for the current half year should be completed and transmitted as soon as practicable after 30th June.

M & G Ltd Wt /Gr 411 616 2500 G.2

I am, Sir,

Your obedient Servant,

(Signed) JOHN JEFFREY,

Secretary.

APPENDIX E

PANEL TREATMENT OF PRIVATE PATIENTS

I.

CERTIFICATES FROM DOCTORS ATTENDING MEMBERS IN A PRIVATE CAPACITY.

1. The Commissioners have received numerous inquiries from Societies as to the arrangements they should make, in view of the new certification system described in Circular A.S. 156, for members who are attended by doctors in a private capacity at their own expense.

2. It should be clearly understood that the new forms, Med. 40, have been supplied not only to doctors on the panel and to medical officers of institutions approved under Section 15 (4) of the Act of 1911, but also to all doctors not on the panel who are attending persons "who have made their own arrangements for medical benefit" with the consent of the Insurance Committee under Section 15 (3) (i.e. members who have arranged to receive a contribution towards the cost of attendance from a private doctor, instead of availing themselves of their right to attendance from a panel doctor). In all these cases, therefore, the ordinary forms, Med. 40, will be produced to the Society by the member in the ordinary course.

3. There remains, however, the case of persons who, though they are entitled to receive medical attendance as one of their benefits under the National Insurance Act, voluntarily forego that right (whether generally or in a particular illness), and, at their own expense, obtain the services of a doctor who attends them in a private capacity and not under the Act. The forms, Med. 40, have not been supplied to doctors for use in these cases. These official forms are a part only of the whole system of certification embodied in the Medical Certification Rules, to which indeed the wording of the forms makes explicit reference, and on which they depend for a part of their effect. The forms themselves would be misleading if used in the case of treatment in a purely private capacity in which the Rules did not apply. For example: the new certification system contemplates that a Society will be able to make a full weekly payment on its ordinary pay day, even though the last certificate received only certifies the man as incapable up to a few days before that pay day. This is because the Rules (which, of course, apply only to doctors who have entered into a contract under the Medical Benefit Regulations) provide for the doctor taking special steps to see that he gives a final certificate directly the man becomes capable of work. The Society can properly assume therefore in ordinary cases that where no such final certificate has been received the man is still incapable. No such obligation rests upon a doctor attending an insured person in a private capacity. To take one other instance: if a doctor who is acting under the Medical Certification Rules gives a certificate on Form Med. 40, in which he states "debility" as the cause of incapacity, without sending an explanatory letter under Rule 11, the Society is entitled to assume in accordance with that Rule that the practitioner's knowledge of the insured person's condition at the time of examination does not enable him to give a more precise description. But in the case of a doctor who is not acting under those Rules such an assumption cannot be made. If, however, the same forms, Med. 40, were received from members being attended by doctors in a private capacity, it would be difficult, if not impossible, for the Society to distinguish their case from that of members receiving medical attendance in the ordinary way.

For the above reasons the ordinary certificates will not be available in respect of members receiving medical attendance in a private capacity.

4. At the same time the Commissioners desire to point out in the clearest terms that insured persons do not disqualify themselves from receiving Sickness Benefit by obtaining their certificates from doctors thus attending them in a private capacity. The introduction of the new system certificates has not altered the rights of members

in this respect. Societies will doubtless continue to receive letters or other forms of certificates signed by doctors attending some of their members in a private capacity. Some of these may be on a printed form with which such doctors provide themselves for their own use, and may, no doubt, in some cases be generally similar in wording to the official form Med. 40, including the same provisions for Notice of Sickness and for the other Declarations by the member. Societies will, of course, find it necessary, for the reasons above indicated, to distinguish these certificates from those on the official forms; and they will readily be able to do so if only because the words "form Med. 40" (implying as they would that the form was official) must necessarily be omitted from the top right-hand corner. But though a Society must distinguish these certificates, it must give them due consideration. A Society is not entitled to refuse to receive and consider, in connection with a claim to benefit, certificates not given under the Medical Certification Rules. On the contrary, a Society is bound to take into due consideration any medical certificate put forward in support of a claim.

5. This obviously does not mean that benefit must be paid on every certificate. The Society has a responsibility which it is bound to discharge, and every certificate must be considered on its merits. Even where a certificate is on the official form and signed by a panel doctor in the ordinary way, the Society should, of course, not pay without consideration. It should consider the certificate and decide whether it affords sufficient evidence for payment or whether further information is desirable, arranging special sick visiting or referring the case to a medical referee as may be required. And where the certificate is not on form Med. 40 (and is therefore the certificate of a doctor who has attended the member in a private capacity), inquiries must often be needed which the understandings embodied in the Medical Certification Rules render unnecessary in cases certified under those Rules.

II.

Final Certificates.

(This applies to all members, whether attended by a Panel Doctor or not.)

1. Approved Societies are reminded of the importance of directing the attention of members claiming Sickness or Disablement Benefit to the necessity of obtaining the Final Certificates from the doctor on the last day on which they are unfit for work.

2. With a view to assisting Societies in this respect, the Commissioners have prepared a short leaflet (Form A.S. 167, copy enclosed) for issue to each member who "declares on" as soon as there is occasion to communicate with him. In general this will be when the sick visitor calls, but in some cases it may be when the first payment of benefit is made, or where special inquiry is necessary. Copies of the leaflet will be forwarded on application. Societies desiring a supply should write to the Commissioners stating the number required.

March 1915.

NOTE.—For convenience, all the three kinds of Certificates have been printed on one slip; but no slip is to be used on more than one occasion. Every Certificate, whether First, or Intermediate, or Final, must be given on a separate slip.

FIRST CERTIFICATE AND NOTICE OF SICKNESS.

Name

Illness

Date

Society

Number

*Here insert the name of the specific disease or bodily or mental disablement which renders the insured person incapable of work.

TO BE FILLED IN BY THE DOCTOR.

Confidential.

FIRST CERTIFICATE OF INCAPACITY FOR WORK.

To.....

I hereby certify that I have to-day examined you, and that in my opinion you are rendered incapable of work by reason of

*.....

.....

§You should come to see me again on.....day next.

Doctor's signature.....

Date of signing.....

Any other remarks by Doctor

§To be filled up at Doctor's discretion where not obligatory under Rules.

FOR USE BY INSURED PERSON.

NOTICE OF SICKNESS.

I hereby give notice that I was rendered incapable of work from.....o'clock $\frac{\text{a.m.}}{\text{p.m.}}$ on.....day the.....day of....., 191 , by**.....and I have since then not been at work.

†I enclose my Insurance Book.

‡*(Signed by or on behalf of)*

Name.....

Present address.....

Membership No..... *Date*.....

**Here insert either the word *Illness* or the word *Accident;* and in the case of accident *state on a separate paper* where and how it happened.

†Strike these words out if the Society already has the Book.

‡If the insured person is unable to sign, the person signing on his behalf must indicate the fact.

FOR USE BY SOCIETY.
Member qualified for benefit?
Member under 21?
Member in Hospital?
Section 8 (5)?
Section 11?
Section 47 or 53?
Section 48?
Late Entrant
(Section 9 (4))? Arrears reduction?
Benefit payable from?

The completion of the counterfoil is at the doctor's discretion.

Important.—This form must be completed by the insured person and sent on the day on which it is received from the Doctor to the Approved Society of which he or she is a member, or to the Insurance Committee in the case of a Deposit Contributor or of a member of the Navy and Army Insurance Fund. If not sent on that day a written explanation of the delay must be given.

INTERMEDIATE CERTIFICATE.

FINAL CERTIFICATE.

Name

Illness

Date

Society

Number

The completion of the counterfoil is at the doctor's discretion.

NATIONAL HEALTH INSURANCE.

Form Med. 40.

INTERMEDIATE CERTIFICATE AND DECLARATION.

Confidential. TO BE FILLED IN BY THE DOCTOR.

To.....

I hereby certify that I have to-day examined you, and that in my opinion you have remained incapable of work, up to and including to-day, by reason of *.....

.....

§You should come to see me again on.....day next.

Doctor's signature.....

Date of signing.....

Any other remarks by Doctor

§To be filled up at Doctor's discretion where not obligatory under Rules.

FOR USE BY INSURED PERSON.

I hereby apply for benefit and declare that in consequence of incapacity through sickness I have not been at work since the date of the last certificate forwarded to you. I have received no compensation or damages in respect of my sickness.

‡*(Signed by or on behalf of)*

Name.....

Present address.....

Membership No..... *Date*.....

‡If the insured person is unable to sign, the person signing on his behalf must indicate the fact.

FINAL CERTIFICATE AND DECLARATION.

Confidential. TO BE FILLED IN BY THE DOCTOR.

To.....

I hereby certify that I have to-day examined you, and that in my opinion you have remained incapable of work, up to and including to-day, by reason of *.....

.....

and are fit to resume work after to-day.

Doctor's signature.....

Date of signing.....

Any other remarks by Doctor

FOR USE BY INSURED PERSON.

I hereby apply for benefit and declare that in consequence of incapacity through sickness I have not been at work since the date of the last certificate forwarded to you, up to and including to-day, and I hereby declare off as from to-morrow. I have received no compensation or damages in respect of my sickness.

‡*(Signed by or on behalf of)*

Name.....

Present address.....

Membership No..... *Date*.....

‡If the insured person is unable to sign, the person signing on his behalf must indicate the fact.

*Here insert the name of the specific disease or bodily or mental disablement which renders the insured person incapable of work.

Important.—This form must be completed by the insured person and sent on the day on which it is received from the Doctor to the Approved Society of which he or she is a member, or to the Insurance Committee in the case of a Deposit Contributor or of a member of the Navy and Army Insurance Fund. If not sent on that day a written explanation of the delay must be given.

APPENDIX G

CONFIDENTIAL. Form Med. 42.

NATIONAL HEALTH INSURANCE.

NOTICE TO APPROVED SOCIETY.

in accordance with Rule 11 of the Medical Certification Rules.

I hereby declare that in the certificate of incapacity for work which I have to-day given to.....
of ..... (address),
being Member No.....of.....
Society,.....Branch, I have stated the cause of the incapacity with less precision than my present knowledge of the insured person's condition makes possible, for good and sufficient reasons which I have this day communicated to the Scottish Insurance Commissioners.

Signature.....
Address.....
.....

Date..... *Insurance Committee Area*.....

To be enclosed in an envelope and sent to the Approved Society of which the Insured Person is a member, or to the Insurance Committee in the case of a Deposit Contributor or a member of the Navy and Army Insurance Fund. Postage must be prepaid. Care should be taken to ensure that the envelope is securely closed before posting.

CONFIDENTIAL. Form Med. 42A.

NATIONAL HEALTH INSURANCE.

REPORT TO INSURANCE COMMISSIONERS.

in accordance with Rule 11 of the Medical Certification Rules.

SIR,

I have to inform you that I have this day given to.....
of.....(address), being Member No..... of..... Society.....Branch, a certificate in which the cause of incapacity is not stated with full precision.

The precise diagnosis of the disabling condition according to my present knowledge is that this person is suffering from.....
.....
.....

I have given a less precise certificate for the reasons stated overleaf.

I am, Yours faithfully,

Signature.....
Address.....
.....

Date..... *Insurance Committee Area*.....

To be enclosed in an envelope and sent to the Secretary, National Health Insurance Commission (Scotland), 83 Princes Street, Edinburgh. Postage need NOT be prepaid, and the word "Medical" should be written conspicuously on the envelope. Care should be taken to ensure that the envelope is securely closed before posting.

APPENDIX H

N. H. S. 36.

FRIENDLY SOCIETY PRACTICE

ROYAL LIVER FRIENDLY SOCIETY

State Section

December, 1914.

To District Managers and District Agents.

MEDICAL CERTIFICATES.

New Method of Certification.

On and after the 1st January, 1915, the existing method of medical certification will be superseded by a new system, of which a brief outline is set forth in due course in the enclosed Circular A.S. 160. One of these circulars is to be handed to each of your members, who should be advised to fasten same in their Insurance Books for future reference.

Notice of Illness and First Certificate.

You will observe that the "First Medical Certificate" is in the nature of a notice of illness and *does not entitle to benefit unless a subsequent certificate (Intermediate or Final) is furnished.* The "Notice of Illness and First Certificate" must be forwarded by the member *to the District Office* (not handed to the Agent) *on the same day as it is issued by the Doctor.*

Claim for Benefit.

Immediately on receipt of notice of illness, the District Manager will forward Form No. 6 ("Claim for Sickness Benefit,") to be completed by the member and returned at once to the District Office.

Member to be Visited Before Being Admitted to Benefit.

It must be borne in mind that the possession of a medical certificate does not constitute a title to benefit; it is *evidence* and *not proof of incapacity*, and should be weighed and considered in the same way as any other piece of evidence. Therefore, when a claim for benefit comes to hand, the case must be referred *at once* to the Sick Visitor for a report on the member's condition, and pending receipt of such report and an "Intermediate" (or "Final") certificate, no benefit is to be paid. In those districts where there is no Sick Visitor the District Manager must personally take steps to satisfy himself as to the genuineness of the incapacity before admitting the claim.

Weekly "Intermediate" Certificate Required.

After the claim has been admitted the member will be required to furnish an "Intermediate" certificate each week, and benefit may ordinarily be paid on this up to the following Wednesday unless a "Final" certificate has been received in the meantime. The medical certificate must be forwarded to this office each week attached to the member's receipt.

Declaration on Certificate Must be Signed by Member.

In every case the Declaration on the certificate must be filled in by the member before the certificate is accepted.

Form 8 to be Used as Record of Benefit Paid—Not for Certification.

By this new system the Sickness Statement (Form 8) now in use is rendered obsolete in so far as it embodies the Doctor's certificate, but its use must be continued as a record of the amount of benefit received by the member, the form to be retained by the member whilst incapacitated, but presented each week and handed in on "declaring off."

Delays in Giving Notice of Illness or "Declaring Off."

The attention of members should be drawn to the fact that delay in giving notice of illness, or returning to work without first sending notice of "declaring off" (or "final certificate") to the Society, renders them liable to be fined or suspended. Furthermore, such notice is not to be given to the Agent, but sent direct to the Society's District Office.

Member Going Away for Change of Air.

No member is to be allowed to remove for change of air without the written permission of the Committee of Management.

Members Discharged from the Army as Unfit.

Where any member is discharged from the Army or Navy as unfit and claims benefit, the District Manager must personally inspect the discharge papers, satisfy himself as to the actual date of discharge and the cause thereof, and forward a letter containing this information with the claim documents.

Members Suspended from Benefit.

Members who are incapacitated, although not in receipt of benefit (*i.e.*, Section 47 or members suspended on account of arrears), must furnish "First" and "Final" certificate in respect of any period of incapacity.

Doctors' Duties *re* Certification.

The following points are worthy of noting in respect to the issue of certificates by Doctors. Under his agreement with the Commissioners a Doctor is required to issue a "First Certificate" (if requested by the member) when, in his opinion, the person has become incapable of work by some specific disease or bodily or mental disablement. He must also issue weekly an "Intermediate Certificate," so long as the incapacity continues. A "Final Certificate" will be issued by the Doctor, whether the member asks for it or not, on the last day on which the member is incapable of work. A "Final Certificate" must not be issued after the member has recovered. Every certificate must contain a precise statement of the cause of incapacity, so far as it is within the Doctor's knowledge, except where it would be injurious to the member to state same. Where for some reason the Doctor deems it advisable to certify the cause or extent of incapacity with less precision than his knowledge makes possible, he must notify the Society to that effect.

The antedating or post-dating of a certificate is a breach of the Doctor's agreement, and should be at once reported to Head Office.

Accounts.

Benefit year ends 31st December, 1914, and the weekly statement (Form 46) must be furnished ending that date instead of Saturday, 2nd January, 1915. The statement for the period ending 9th January, 1915, will include nine days' transactions.

By order of the Committee of Management,

(Signed) FRANK H. TAUNTON, *Secretary.*

APPENDIX I

MEDICINE AND THE LAW.

A Question of Certification.

In the spring of the present year an inquiry was held at Widnes under Article 71 of the National Health Insurance (Medical Benefit) Regulations, 1913, into a complaint lodged by the National Amalgamated Approved Society against two medical practitioners, Dr. S. Porterfield and Mr. S. McCausland, in connexion with certificates of incapacity given by them to insured patients—members of the society. The two gentlemen named are partners, having at the times in question about 2850 and 1100 insured patients respectively on their lists, and during part of the period covered by the charges, before the return of Mr. McCausland from military service, and in the absence of another practitioner temporarily away, Dr. Porterfield was responsible for the medical attendance of something like 15,000 persons.

The Cause of the Complaints.

All the complaints had reference to the same point, a familiar one to all who are engaged in insurance work, the issuing of certificates of incapacity on Form Med. 40 to insured persons who had not, in fact, been examined by the practitioner on the dates stated on the certificates. They were limited to this. There was no suggestion that any patient had a certificate who was not entitled to one, and, as the Inquiry Committee expressly found in their report, the periods during which the irregularities complained of occurred synchronised with two epidemics of influenza at Widnes. That certificates were given which referred to patients who had not been seen by the signatory upon the dates stated in the document was admitted by both practitioners, and Dr. Porterfield further explained with regard to some of these that they were issued for him by a lady clerk during one of the influenza epidemics in August and September, 1918. It was an expedient devised to meet an overwhelming pressure of work, and they were issued to patients whose disability could not be in doubt, whether they were seen or not. They were, in fact, respectively cases of chronic endometritis with prolapse of uterus, cerebral hæmorrhage, tuberculous disease of the hip, epilepsy, chronic bronchitis, and dementia, the sixth, if not quite in the same category as the others, being a case of pregnancy. Five charges out of a total of 20 were withdrawn. As an example of the others may be cited one of influenza in which a final certificate, dated Feb. 22nd, was signed by Dr. Porterfield on information given by Mr. McCausland, who had seen the patient on the same day. Among the strongest cases against the two medical men was one in which Dr. Porterfield saw a female patient on August 16th, 1918, and did not see her again until three weeks after her confinement, which took place on August 23rd. Meanwhile he signed certificates for her which on August 16th and 23rd stated rheumatism, for which he had attended her for a long time, as the cause of her incapacity. In another, a patient who had long suffered from piles, when, in February, 1919, a recurrence of these took place, could not wait in a queue of two or three hundred persons at the surgery, and received from Mr. McCausland certificates without being examined.

Finding of the Inquiry Committee.

That no serious result in the way of loss to the society took place is thus obvious, and in the circumstances it might have been thought that that body would have recognised the extraordinary demand upon the doctors' services, a demand which rendered accurate clerical work of secondary importance. By its report the Inquiry Committee recognised that there were beyond question breaches of the regulations, and that the medical men had failed to meet the situation by modifying the official form so as to accord with the facts. It is found, however, that the local officials of the society for their part had failed to appreciate the necessity for lessening the strain

of clerical work, if attention were to be given, as far as possible, to the sick during the influenza epidemic, and delay in the issuing of certificates avoided. The following finding is worth quoting:—

"It seems to the Inquiry Committee not unreasonable to imagine that in the crisis caused by the influenza it might have been possible for the local officials of the Approved Society to have made some arrangements for the purpose of lightening the burden of certification, which rested upon the shoulders of these doctors, but no evidence of any action in this direction was given before us."

Finally the Committee recommended that Dr. Porterfield and Mr. McCausland should bear some part of the society's costs in presenting the case, so far as it dealt with complaints as to the year 1919.

The Insurance Commissioners' Decision.

The Insurance Commissioners, in announcing to the solicitors for the society their decision to take no action upon the report of the Inquiry Committee, fixed the contribution of each medical man to the society's costs at £20. Their letter also commented on the question of strict adherence to the rules in giving certificates, and upon the difficulties arising out of the influenza epidemic combined with the shortage of doctors. As to the former, the Commissioners refused to recognise ignorance of the rules under the Insurance Acts as justifying departure from them on the part of medical men undertaking insurance work, and said:—

"Neither doctor had, in fact, taken the trouble to make himself acquainted with the actual provisions of the rules, or with the system on which they are based, or the objects at which they aim. Consequently neither doctor appreciated, or was in a position to appreciate, the possibility of issuing certificates in an emergency of this nature, which if they did not conform strictly to the rules would at least have substantially safeguarded the interests of the Approved Societies concerned."

As to the second point, the Commissioners regretted that, whereas it had been found possible in many areas by means of cordial cooperation between society officials and doctors to surmount the difficulties to which the exceptional conditions prevailing in the period involved gave rise, more successful efforts in the same direction were not made at Widnes.

Comment on the Case.

Comment in the circumstances can hardly go further than to call attention to the facts summarised above and to the observations of the Inquiry Committee and of the Insurance Commissioners. No one can suggest that Dr. Porterfield and Mr. McCausland did anything that was detrimental to the interests of their patients or of the National Amalgamated Approved Society. Nor did they do anything that an absolutely honourable medical practitioner might not do at any time in the pressure of overwork, and when engaged in fighting for his patients' lives and health against such epidemics of influenza as have recently visited us. At ordinary times the giving of certificates in accordance with the regulations is one of the duties which a medical man accepts when he places his name upon the panel. In extraordinary times there are ways in which strict compliance with the regulations may be waived, as a matter of temporary relief, and as a matter of arrangement between those concerned. Probably in the pressure of their work, and under the paralysing influence of an overwhelming outbreak of disease, neither of the medical men in question ever had time to review the situation calmly or to think out the best plan and negotiate. Both will certainly have made ample amends in paying what is in substance a fine of £20 to the complainants. If the officials of the society on their part had had sympathetic consideration for Dr. Porterfield and Mr. McCausland, to say nothing of their patients, they need not have involved the two medical practitioners and themselves in costly and wholly unprofitable proceedings.

APPENDIX J

EXPERIENCE OF THE LOYAL ORDER OF ANCIENT SHEPHERDS (ASHTON UNITY) 1915-1920

No analysis of friendly-society experience, in the larger sense, under national health insurance appears to have been made. The annual reports of no important order or society reveal, in sufficient detail, the full effect of national health insurance upon friendly-society growth and development, but an immense amount of material is available to trace with reasonable thoroughness the influences more or less opposed to friendly-society progress. For present purposes it seems advisable to limit the consideration to a single representative order, neither the largest nor the most influential, but a thoroughly typical organization. The Loyal Order of Ancient Shepherds (Ashton Unity) dates back to 1827, holding its ninety-fourth annual meeting in 1920. Through the courtesy of the general secretary of the order, Mr. A. J. E. Saunders, the last six annual reports of the organization have been placed at my disposal, together with the monthly reports for the last three years. This amount of documentary evidence constitutes an invaluable source of trustworthy information, and what follows is practically an extract from the official record of the proceedings, amplified only as far as absolutely necessary by critical explanations or such observations as the evidence may call for.

In 1859 Mr. Charles Hardwick, in "The History, Present Position, and Social Importance of Friendly Societies," refers to the "Ancient Order of Shepherds" as having at that time a reported membership of 15,000, located principally in Lancashire and Yorkshire.

The Rev. J. Frome Wilkinson, in a treatise on "Mutual Thrift," published in 1891, refers to the Ashton Unity of Shepherds as having at about that time a membership of 53,446; and referring to its financial condition, he has placed on record the conclusion that, aside from the Manchester Unity, the Loyal Order of Ancient Shepherds was "the only other Order which has laid its financial condition as a whole before its members, clearly indicating its relative solvency or insolvency, as the term may be construed, clearly suggestive of the fallacy of a uniform assessment rate for all members, disregarding the age at entry." It is regrettable that the reports for 1910-14, inclusive, should not be available, but by December 31, 1913, the voluntary adult membership of the order had reached 143,017, indicating a considerable numerical progress since the valuation referred to by the Rev. J. Frome Wilkinson.

1915

The eighty-ninth annual meeting of the order was held May 24, 1915, and from the official report of the conference the following extracts are suggestive of the difficulties under which friendly societies face the new industrial order, largely in consequence of state interference and state insurance. The chief shepherd (Bro. R. Wardman), referring to the old friendly-society spirit, took occasion to say that

> The great revolutionary methods adopted to put the order into direct line with ideas expressed by some of our leaders during the last two years, has caused many to think that the old spirit, which has done so much for us all, is dying out. One has many a time heard old warriors say, with pride and pleasure, that they had never become a charge upon the funds, and have even stated that they, along with numerous others, did not join the Society for that purpose. It was suggested in some quarters, even before the advent of the Insurance Act, that that spirit was disappearing and had gone past recall, that as the various branches grew, the intimate personal cooperation on which they were based tended to become weaker, and that under the present conditions, at least, the sentiment on which Friendly Societies were built, was dying out. Certainly, it is said there has been a tendency for that which was originally the expression

of a bond of good fellowship and a desire to help one another to pass into a mere matter of business. (Page 27.)

While nevertheless optimistic as regards the future outlook, the facts of subsequent experience clearly sustain the truth of the apprehensions expressed in the foregoing extract, for, as pointed out by the chief shepherd in a subsequent portion of the address,

> The advent of the Insurance Act, with its system of collection of contributions, and the anxiety of our members to thoroughly grasp the most intricate parts, has caused in many cases personal interest to lapse, and brought about the danger of making our branches into mere commercial units. In fact, we are under present conditions heading very fast on to commercialism. (Page 31.)

The foregoing is amplified by the statement that out of 14,000 persons entering into state insurance, in one particular town, during the preceding year, only 2,000 had found their way into friendly societies.

Following the address of the chief shepherd, the secretary of the Friendly Societies' Council (Bro. C. E. Hudson) took occasion to refer to the difficulties concerning the organization in the words that

> Forces were at work to bring about the end of the Voluntary Thrift movement, and it was their duty to combat those forces with all their strength. This they could best do by unity of purpose and combined action. That was what they stood for in representing the Friendly Societies' Council in Leicester. There was not a man present who would like to pull down that monument of Voluntary thrift of which they were all so proud. But they must recognize there was a serious amount of apathy which had been intensified by the introduction of the National Insurance Act. Were they going to see that wonderful organization put out of existence? Decidedly not. But they would have to do something to arouse that enthusiasm which some of them had seen in the pioneers of the movement and which the younger generation did not sufficiently appreciate. Let them see to it that, instead of allowing the voluntary movement to die out, they should carry that enthusiasm into the Act itself. They wanted Friendly Society men with that spirit. He believed that even the Act could be made into a very fine measure indeed. They had done their best in Leicester. (Pages 38-39.)

It would be difficult to express more concisely the true friendly-society spirit and at the same time the high sense of obligation to cooperate with the Government to the fullest possible extent. It has been clearly realized by all concerned with the friendly-society movement, as said by Bro. Hudson in concluding his remarks, that if the spirit of voluntary work was "carried into the Insurance Act they would help to keep alive the voluntary spirit, whilst getting more good out of the Act, which so many people complained about."

Regardless of the efforts made to advance the interests of the voluntary branch the adult membership actually declined from 143,017 at the end of 1913 to 138,256 at the end of 1914. The compulsory or state membership as reported to the national conference of 1915 was 171,273.

In his report for the year the general secretary (Bro. R. Kennedy) referred to the loss in adult membership, mentioning that such a loss had been experienced for two years in succession and that they had not been "able to retain the great increase [in membership] of three years ago." The increase in membership was now largely limited to the juveniles, who, on December 31, 1914, numbered 62,861. In addition, the order has 64,523 wives and widows of members on its list and 4,577 honorary members, a total membership of 270,217. A brother from Glasgow (Bro. A. Scott) gave expression to the hope of the general secretary that "while they had given considerable attention to the State side in the past, they must not forget how much was due to the voluntary side of the organization. He was afraid a considerable disloyalty had been creeping into the rank and file of Lodges and Districts in spite of themselves, and he

hoped they would realize the necessity of being loyal to each other and to themselves, as in times gone by." The question here raised is fundamental. There is such an immense amount of detailed consideration imposed upon the order as the result of the introduction of state insurance that careful consideration of every aspect of voluntary insurance is difficult, if not impossible. There is a further question in keeping separate the accounts of the state and the accounts of the voluntary branch, frequently involving serious accountancy difficulties. The executive committee, in its report called attention to this matter, pointing out that

> We can unhesitatingly say that the expenditure incurred by us as your Executive authority has been kept strictly within the limits of the circumstances and requirements as forced upon us, and we have every confidence that our administration of affairs, either Voluntary or State, will compare favorably with that of any other leading Affiliated Society, all of whom, like ourselves, have had to face a condition of matters never anticipated or reckoned with. You will recognize that all the Districts have had similar experiences, and have been forced to expend accordingly. (Page 96.)

Of interest in this connection are some observations, also by the executive committee, on provisional centralized districts in Scotland, the statement being made that

> With the exception of the Clyde Centralised District, which embraces the State Insurance Members attached to the Lodges of Dumbarton, Greenock, and Paisley Voluntary Districts, all the Districts in Scotland have more than the requisite number to comply with the conditions of our Order's scheme for State Insurance work, none of them requiring to amalgamate with other Districts. After consideration, your Executive were able to embody into the General Rules special provisions entitling these Districts to continue their State Insurance work alongside that of their Voluntary work under the one District Authority, whilst otherwise complying with the necessary provision for ensuring that every State insured member will have the same opportunity of attending to his interests alike in Lodge and District as that of the Voluntary members. (Page 100.)

All such difficulties involve extended consideration and take up the time of the annual conference, which in former years was exclusively devoted to the interests of voluntary members only. Of interest in this connection is the problem of workmen's compensation in its bearing upon both voluntary and state business as emphasized in the following extract from a statement by the general secretary:

> The Workmen's Compensation Act which ought to have relieved Friendly Societies has simply made men in many cases stop on the funds longer than they would, and so instead of getting relief they have had to pay more in sick pay than they would if the Compensation Act had not been brought into force. The National Insurance Act has had, I fear, and even to a larger degree, the same effect. It was so built that if our members had taken advantage of its provisions by transferring sick risks to the State they might have improved their financial position. Instead of that, members said "We will have the State benefit and the Voluntary benefit." And what was the result? The man instead of getting 10s. per week gets £1 and he is almost sure, without being a malingerer, to have another week's sickness. The Friendly Societies were therefore called upon to pay more than they would have had to pay if there had been no Insurance Act. (Page 115.)

Probably no section of the National Insurance Law of 1911 resulted in more complications than Section 72, as follows:

> Every registered friendly society which provides benefits similar to any of those conferred by this Part of this Act, shall submit to the Registrar of Friendly Societies a scheme for continuing, abolishing, reducing, or altering such benefits as respects members who become insured persons and for continuing, abolishing, or reducing the contributions of such members, so, however, that the combined effect of the alteration of the benefits and contributions shall not prejudicially

affect the solvency of the society, and, if the scheme or a supplementary scheme shows on an actuarial valuation that, owing to the alterations in the benefits and contributions effected by the scheme, any part of the existing funds of the society is set free as not being required to meet the liabilities of the society, the scheme or the supplementary scheme shall provide for the application of the part of the funds so set free in any one or more of the following ways:

(a) Towards the cost of the provision of other or increased benefits payable by the society independently of this Part of this Act to existing members whether insured persons or not;

(b) In reduction of the contributions payable by such members in respect of the benefits payable by the society independently of this Part of this Act;

(c) Towards the payment or repayment of contributions payable under this Part of this Act by such of its existing members as are entitled and elect to receive benefits under this Part of this Act through the society. "The Law Relating to National Insurance," by J. H. Watts, London, 1913 (pp. 217-218).

I omit other provisions of this law, believing that the foregoing is sufficient for the purpose of indicating an intricate problem in friendly-society administration. The effect of this section on the voluntary branch of the business has been varied. The official valuer (Bro. Hudson) took occasion to say that

> There has been the greatest difficulty in making Lodges understand precisely what was best in their own interests, and then when they do understand, to get them to adopt in its proper form the scheme required under Section 72. The difficulty has not been overcome even today. If I had been a dictator I should have made every Lodge accept a reduction of contributions and benefits and taken the State benefits in their place with a proviso that every Lodge or every part of a Lodge should have the right of reinsuring in the Voluntary side. What I mean is this. The State gives 10s. weekly full pay, and 5s. weekly disablement benefit for which there is a compulsory charge upon the workman made by the employer and his own contribution as well. It would have been of the greatest possible advantage if to begin with the 10s. of the voluntary benefit could have been transferred to the State with an arrangement for the first three days only, and particularly when you think that 5s. per week disablement benefit means no reduction for the first twelve months and nearly always double what we call "quarter pay." It would have left you in a position to have given you extra full pay of a few shillings, and it would have enabled you altogether to get rid of the payment of pensions in the name of "quarter pay" which many of you have to suffer from to-day. The number of Lodges that decided to take a reduction of contributions and benefits was 404 and the Lodges that decided not to take any reduction at all but to have the two benefits were 414. It is significant that out of your 97,000 members, 12,967 only have taken a reduction. What is the result? This will give us some sort of an idea as to what would have happened if you had had a universal reduction. Instead of 18s. 11d. the rate of solvency on the voluntary side with the comparatively few members having taken a reduction the rate of solvency of the Lodges I have valued is raised to 19s. 4d. in the £. These figures speak very much more emphatically than anything I can say, as to what might have been done if the Act had been used for our advantage in every possible way. (Page 116.)

It would be quite impossible to discuss this difficulty of presenting the facts essential to a full understanding, but what has been said has been included largely for the purpose of emphasizing the growing intricacies of friendly-society management largely because of the introduction of state insurance. The official valuer concluded his report on this occasion with the remark "I venture to say that there are very many years of usefulness for the Loyal Order of Ancient Shepherds notwithstanding the State with its National Insurance Act and the Commissioners who carry it into effect"

(p. 117). The foregoing is followed by some observations by the member from Glasgow (Bro. Scott), who took occasion to point out the deficiencies of national health administration, including an urgent demand for a state medical service.

Other members took occasion to refer to the Workmen's Compensation Act and the burdens placed upon friendly societies making payments in the event of sickness arising from an accident, apparently contrary to the principles of national health insurance. A member from Swansea (Bro. R. G. Davies) took occasion in this connection to give expression to his apprehensions as to the possible necessity of an amalgamation of all the friendly societies and of his belief "that the children coming after us will be in favor of an amalgamation with better benefits and less malingering" (p. 119).

Serious apprehensions were felt by many of the delegates present as regards the growing competition with the collecting friendly societies, and the suggestion was made that the Loyal Order of Ancient Shepherds, on its own part, undertake collecting and personal soliciting through paid agents, in much the same manner as this is being done by industrial insurance companies. A member from Bristol (Bro. Saunders) took occasion to say that "If you study the records of any of the successful Societies outside of Friendly Societies, you will find that it has been made worth the while of the individual to do his work." The same speaker subsequently took occasion to point out that the members apparently were not aware of the way they were drifting, and he was emphatic in his conclusion that the members should "bring home to the Government what they have brought upon the individual members, and ask them to make provision, as our funds will not permit us to make because they were never contributed to meet these cases." The reference was to the increased war liabilities and the proposal that the Government should make a substantial grant to relieve the societies from possible serious financial embarrassment. Reference was also made to a recent amendment to the insurance act, which I can not enlarge upon, but under which apparently the Government had exempted itself from certain responsibilities, which were left to be assumed by the voluntary branch. The statement was also made that "the workingman's Society should repudiate the trying to exempt and free the Government with all its powers from paying to these men from the State Insurance the proper share." It is made evident by such questions as these that the joint business of the two branches is becoming more and more confused and difficult to keep separate and distinct. The member from Glasgow (Bro. A. Scott), in addressing the meeting, made some extended observations on this aspect, pointing out that large increases in expenditures had resulted directly from state insurance "compared with the expenditure prior to the inception of the National Insurance Act," and, in continuation, that

> I would like to point out to the meeting that as an organization the money has not been evenly distributed. Prior to the inception of the National Insurance Act it was sufficient for a great number of years to have £20 for the postages of the Order. We find that it has jumped to £50 on the State side and almost to £90 on the Voluntary side, and I am perfectly satisfied that the apportionment of £90 is far too much for the Voluntary side. The very same applies to deputation expenses. There was a period when a matter of £20 or £30 was quite sufficient to cover deputation expenses of the members of the Board in the course of the year, and we were perfectly happy in those days. I am inclined to think that the abnormal expenditure of deputations is again a question largely for the State side and not so much for the Voluntary side. When we deal with the Budget proper we find the same amount has been allocated to the Voluntary as well as to the State. I may be informed that because the end of the year varies in the two sections that there can not be a true comparison between the two. We are asked to budget £1,278 on the Voluntary side and £1,275 on the State side. Taking the deputation and official visits item there is £150 budgetted for on the Voluntary side and only £100 on the State side. Surely the difference

should have been charged to the State side and not to the Voluntary. Then there are the printing items. In a great measure the printing will be recoverable, but altogether it seems to me to be extraordinary that so much should have been settled against the Voluntary side of the movement and so little settled against the State. I submit that the State section should be asked to bear more than it has at present. It must be quite clearly realised that it is impossible where we have Centralised districts in which there are no voluntary members that they should have to pay voluntary expenses. There should be a line of demarcation. I have very little to say with regard to the enormous expenditure that we have now on our office staff. That has been referred to during the whole of the week. It seems to me that we are not getting anything like the best results for the enormous expenditure in that respect. I think it is due to this meeting that we should have an explanation why such an excessive amount has been charged to the Voluntary side. (Pages 154-155.)

I have given this extract in full as an admirable illustration of the thoroughness with which minute questions of friendly-society finance are discussed by its membership. There is nothing more astonishing in the reading of friendly-society reports than the minute consideration given to even the smallest expenditures, which would readily escape notice except under conditions of an extraordinary sense of personal obligation. In this connection I quote the additional observations of a member from Edinburgh (Bro. Mackie), who, in calling attention to the increase in expenditures, said

> Surely the Voluntary side is saddled with an undue proportion of the expenses. I think it ought to be an instruction from this meeting to cut and curtail it very much more, to what it was prior to the inception of the National Insurance Act. We naturally thought that when the two offices were doing right together that on the Voluntary side we should have some compensation and less charges instead of more. (Page 155.)

The difficulty here indicated is one of growing seriousness, foreshadowing possible future conflicts as to the proper amounts to be assigned respectively for state and voluntary administration on the part of associations or societies conducting both a private and a state business. The impression certainly seems to prevail in the case of some societies that the voluntary branch is charged with expenses properly attributable to the state branch. A member from Glasgow (Bro. Grieve) concluded the discussion by pointing out that

> If there is any necessity for retrenchment on the Voluntary side, there is a great deal more so on the State side. The special committee found that even a halfpenny per member would be sufficient to meet the requirements of the State side office. I do not want to take monies belonging to the State section that is not legitimate, but we are not getting a fair deal here. We are quite prepared to pay up and smile for a certain time, but you must not expect we shall continue it. I am safe to say that at the present time in Glasgow it has not even cost you a halfpenny, because we have spent the money ourselves and we have organised the whole matter as far as the State and Voluntary sections are concerned. We are entitled to look after the interests of our members. (Page 159.)

Regardless of the extended consideration given to a multitude of matters, there is nothing to indicate that on the state side of its business the society considered questions really fundamental to the administration of national health insurance as evidence of democratic management. It must never be forgotten that the essentials of the act concern (1) the contributions, (2) the benefits and (3) the rules and regulations covering chiefly the members' or doctors' and pharmacists' conduct. These are the matters which constitute national health insurance in its relations to the membership, but to none of these fundamental questions did the order give consideration as a question of democratic self-government.

1916

In his annual address at the ninetieth annual meeting, held at Manchester, June 13, 1916, the chief shepherd (Bro. A. M. Robinson) presented with admirable brevity the aims and objects of friendly-society effort in the following words:

> In taking this retrospective glance we find, in looking down the lost vista of weary toil, the sacrifice our pioneers underwent in the early stages of the movement. We are proud of these men gone to their reward. But on taking an introspective view, we have much reason for hope and confidence in the future. The points of view bring out a light which causes us to be cheery, without a thought of being down-hearted. The real spirit of Shepherdry and the aspiration of Friendly Society work is not that each man should live for himself, but that every member should have the widest possible horizon to do what he can for his neighbor. This is the true spirit of the work, and my desire is that the bonds which have so long existed among us should be strengthened and thereby enable us to sustain the efforts necessary to carry on the business of this magnificent Society. (Page 23.)

Since the introduction of state insurance this spirit has suffered a material decline. As shown by the previous extract from the proceedings of the eighty-ninth annual meeting and by the further discussion of subsequent meetings, material considerations now outweigh the lofty and fraternal spirit of an earlier period. For state reasons a large number of small districts have been required to combine into larger districts to become eligible for membership in approved societies. On practically every occasion some complaint or other is brought forward, consuming the time and attention more properly required for the voluntary branch of the business. The chief shepherd, in directing attention to reforms in the administration of national health insurance, with particular reference to the medical service, took occasion to say that

> From the information placed before me there is abundant proof that many insured persons are not getting the medical benefit promised by the Act. Carelessness on the part of the medical practitioners and the want of the essential medicines are the chief complaints. In the old days of our Friendly Society work we were much better served. The doctors gave of their best, and there was no difficulty in supplying the necessary drugs. After weighing the whole matter carefully, I am convinced that until the doctors are appointed by the State we will have little improvement. Therefore, I am strongly in favour of a State Medical Service. (Page 30.)

This insistence upon a state medical service is to-day practically universal in the case of all public gatherings of friendly societies. Realizing, as they must, that the system of compulsory health insurance, once established, has come to stay, there is no alternative but to make the best of the situation. The demand on the part of the friendly societies is, therefore, for a larger share of lay control over the medical profession, being, as they are, primarily responsible for the payment of sickness benefit, which depends upon medical certificates of incapacity for work. In this connection there may be quoted a statement by a member from Sheffield (Bro. G. Abbott), who was quite in agreement with the chief shepherd, that a state medical service should be established, for, he said, "With all the many defects there are in the Insurance Act the medical service part of it will bear large inspection." By way of illustration, he gave the case of two persons employed in the same establishment, one a laborer and the other a brain-worker, as follows:

> The labourer comes under the provisions of the Act in consequence of his low wage. He has no one but himself and his wife; the brain-worker, who is in a higher grade, has a wife and a family of several children. He is about a £160 a year man, and therefore he must not get the benefit of the medical service under the Act. I say as an ordinary man that the value of the life of a brain-

worker is equal to that of the muscular labourer to the State, and until we can get a medical service that will protect the whole people of the country the Insurance Act will be defective. (Page 34.)

He therefore concluded that "a State medical service must be developed to include the whole of the family, and it must be extended to all those who are employed in productive industry."

It is being realized to an increasing extent that a conflict of interests in state and voluntary insurance is practically unavoidable. An interesting illustration in this connection is the discussion of the establishment of a fund for assisting distressed lodges, it being said, in part,

> Let us form a relief fund on the same lines as we did when we helped the individual. We should not dispense the relief indiscriminately. We should only assist those who were prepared to do something to help themselves, and had got into difficulty through no fault of their own. In order to give them a helping hand we should go back to the ideal of the old days of mutual and collective help of one another. We have lost a lot of that spirit through the introduction of the National Insurance Act. Just let us show that we have some sympathy with distressed branches, and so link up the common interest. (Page 115.)

This spirit is true altruism and the result of a century of effort at self-help and mutual aid. Once destroyed through pauperizing legislation the spirit can not be restored by arguments, pleadings or the use of a pious phraseology. State insurance will always rest essentially upon economic and political considerations, while voluntary insurance rests essentially upon the moral principle of a contributionship for mutual assistance.

Equally important is the conflict of interests in administration. Administered jointly, it is an open question as to what proportion of expenditures is properly assignable to the voluntary branch, on the one side, and the state branch, on the other. In discussing this question a member from Glasgow (Bro. C. Macdonald) said, in part:

> I think that the greatest care has not been taken in giving what should be Voluntary and what should be State. Every one recognises that we pay more for administration on the State than the Voluntary. It takes up the greater part of our office, and you have allowed £150 for General Secretary, and you only allot £100 for the State section. Then you see further down that it takes £320 to pay the office staff on the State side, and it only takes £220 to pay the office staff on the Voluntary. Is not that evidence that there is more time devoted to the State? In my opinion the State should pay in proportion to their membership, and it should be a much larger amount than for the Voluntary section. We are not taking this amount as official, but only for our guidance, and it will be for us next year to see that the proper amount is charged to each section. I am convinced that the Voluntary is paying more than its just share. No one wants the State to pay more than its fair share. (Page 147.)

No analysis of expenditures appears to have been made to properly ascertain the accuracy of this assertion. It is of the first importance, however, in all discussions of the cost of administration that there should be no serious question of doubt as to the proper apportionment of joint expenditures, which, under given conditions, may amount to considerable sums, at least in the aggregate expenses. There has been no end of complaint that the administration allowance, at least in the case of certain societies, has been quite insufficient, considering the increase in the cost of living, the cost of materials, rent, etc. The administration allowance is 3s. 5d. per member, recently increased to 4s. 5d., although it is urgently insisted that 5s. would just be sufficient to meet minimum requirements. The difficulty emphasizes the importance of absolute accuracy and impartiality in accounting, for if undue liberality towards the state section prevails at the expense of the voluntary section, it is self-evident that all statistics as to administration cost require to be accepted with due reserve. In this, as in many other matters, there has been, unfortunately,

very little public discussion, on account of the strong inclination to leave nothing undone to facilitate the success of the approved societies. It is decidedly suggestive, however, that at a meeting of the National Conference of Friendly Societies, held September 23-24, 1915, the following resolutions were offered:

> RESOLVED: That every Friendly Society is, in the administration of its domestic affairs, independent of the National Insurance Commissioners, so long as the Society acts in conformity with its own approved constitution, and is under the control of the members. And further that no Government department is justified in trenching upon this independence of Friendly Societies by straining the powers entrusted to it by Parliament.
>
> RESOLVED: That it is subversive of the efficient management of Friendly Societies, and detrimental to the interests of insured persons, that National Insurance Commissioners should take cognisance of, and enter into, domestic differences of view and opinion expressed to them by any officers or members of the Society, without first informing the Head Office of the Society.
>
> RESOLVED: That with a view to avoiding the possibility of litigation between a Society and any National Insurance Commissioners, and the great expense to Societies involved therein, provision should now be made by an extension of section 67, sub-section 3, of the statute whereby any dispute between a Society and such Commissioners, raising the question whether the Commissioners have acted arbitrarily and without their statutory powers, should be referred to an independent statutory referee. (Page 159.)

The resolution clearly emphasizes an undercurrent of discontent and resentment, reflecting a menace to the voluntary section of friendly societies as the result of state interference through countless and burdensome rules and regulations, and the practical surrender of the right of democratic self-government to the State. Or, as a member from North Wales (Bro. Charles Hughes) forcefully expressed it, "If we take all this lying down we shall be kicked out altogether." Going still further, the brother from North Wales argued "I think it is time for us as Shepherds to get our backs up against the Commissioners" (p. 177).

The discussion having reference to the supervision of sickness, a member from Essex (Bro. H. Titmarsh) called attention to the proposed new regulations, pointing out that "The Executive say that unless you accept this the Commissioners may make regulations of a more drastic character." With reference thereto the member from North Wales (Bro. Charles Hughes) replied:

> If we accept the responsibility to carry on the work of the National Health Insurance Commissioners through the Lodges we must be allowed to do it. They have tried to come down upon us for any informality, and the question has arisen who is to be the authority responsible? If we give over the power of control from the Branches where shall we be? In my own District half of my Lodge secretaries will strike. They are not to be treated like a machine, and our secretaries are as capable as the best man connected with any Insurance Company in the country. (Page 177.)

This extract is a further illustration of the fallacy that friendly societies under national health insurance retain the powers of democratic self-government in matters really essential from the contributions charged to the methods of paying claims. Of interest is a concluding remark by a member from Aberdeen (Bro. Dow), who gave expression to the fear that

> The Commissioners will push us out if we get our backs up too much. If we do not conform to their regulations then they will withdraw their approval. The voluntary section is our own, pure and simple, but we are simply a Society approved for administering the National Insurance Act created and managed by the Government. We have no power to create in the matter, and we must

recognise the Government's right to dictate to us in this matter just as we make arrangements for our own voluntary work. (Page 178.)

There is no evidence here of democratic self-management or the cooperative spirit so frequently referred to by those who are making propaganda for compulsory health insurance in this country.

At the same time, the friendly societies have unquestionably been of real value to the Government and the means of reducing sickness expenditures to a minimum. It is largely because of the vigilance and long experience in sickness administration that malingering has been guarded against with a fair degree of success. The member from Edinburgh (Bro. A. Mackie) drew attention to this point in the remark that

> Through the careful supervision of branch secretaries on the voluntary side we have been able to bring to book a panel doctor who was primarily responsible for putting members on sick benefit, and he has been fined £40 by the Insurance Commissioners for neglect of duty. Had the supervision been only in the District Office we should never have been able to do this. (Page 181.)

In this, as in many other directions, the whole-hearted cooperation and long experience of the friendly societies have been of incalculable value to the Government.

During the year 1915 the voluntary adult membership of the order suffered a further decline. Commencing with 138,256 members, as of December 31, 1914, the year 1915 closed with a membership of 135,157.

1917

The ninety-first annual meeting of the order was held at Dunfermline, Scotland, in May, 1917. The chief shepherd (Bro. Edwin Crew), in an extended address, referred to the difficulties experienced on account of adjustment to changes introduced by state insurance, concluding, however, that, in his judgment, "State insurance is not an evil in itself," but a "natural corollary of the Friendly Society—a development of the principle which we have all along striven to inculcate: that the whole nation should cooperate under a communal system, and agree to share one another's burdens." He went further and said that "In principle, State insurance is sound, and complimentary, as well as a complement, of the Voluntary Friendly Societies' work. Only the method of its adoption, its terms and condition, were bad." Referring again, however, to difficulties experienced, he said "in this respect State Insurance dealt us a staggering blow." It is unfortunate that the details of the situation were not dealt with in sufficient fullness to emphasize the conflict of interest between voluntary and state insurance. A member from Glasgow (Bro. J. Grieve) spoke of a 12s. benefit as not enough to meet prevailing conditions of living, but the outlook for proper adjustment was by no means encouraging. Another member from Glasgow (Bro. Alex. McEwen) said "We are allowing the time to pass in connection with National Health Insurance, and we could have been three times better than we are if we had grasped it in the proper time. We are drifting, drifting ever . . ." (p. 33). This pessimistic conclusion applied particularly to the voluntary branch, which, commencing with 135,157 members at the beginning of 1913, closed with a membership of 134,312 on December 31, 1916. The state insurance membership, however, during the same year had increased from 172,206 to 182,172.

Much complaint was made of the high lapse-rate, particularly among the younger members. A member from Essex (Bro. Herbert Titmarsh) took occasion to point out that "since the National Insurance Act has been in operation there has been a certain amount of unrest amongst those members who reduced their contributions under Section 72" (p. 85.). He suggested that some measures of industrial compulsion should be adopted, and just before a member was allowed to lapse his interest in the society.

The influence of the war can be traced throughout the meeting. It may not be out of place to quote the following from a letter of a member with the British Expeditionary Forces at the front, dated May 23, 1917:

> The future of Friendly Societies requires a new scale of effort, and new ideas will necessarily have to be evolved in order to meet the newer conditions created by the war. Health is a great asset of the nation, and such important societies as the Shepherds can strike into new channels of progress and prosperity in helping to secure this. Although I am at present engaged in assisting the "progress" on the Western Front, I am hoping to renew my energies in furthering the cause of true Friendly Society principles later on. Personally, I think that this warfare will do a great deal of good when we return to civil life. We shall think and act more, not only for ourselves, but for humanity as a whole. (Page 97.)

Much has been expected from this higher sense of devotion to public duty aroused by actual participation in the great war, but the fact is overlooked that the conflict between state and voluntary insurance is fundamental, for, although both branches may in a certain respect gain from the combination, there is the ever-present antagonism of voluntary and so-called compulsory thrift. In some extended remarks on this aspect of the question, a member from Glasgow (Bro. A. F. McEwen) said "Surely we should consider first the Voluntary side, and take care to compete with the State side in management, but the present position of the two is not comparable. Last year we shifted the responsibility and this year we are shifting it still further, but more activity must be shown. There is a danger in being prejudiced and not looking at things according to their real merits" (p. 105).

In some subsequent remarks a member from Dundee (Bro. G. Cumming), in discussing the question of a levy on account of state administration expenses, said, in part,

> I beg to suggest that in future that you will readjust the different accounts between the Voluntary and State side. You are practically at the present time putting them on an equal footing, but on the Voluntary side you are charging more per annum as a levy than you are charging on the State side, and if you look on your numbers you will find that you have 170,000 State members as against 135,000 Voluntary members, so that with your increased membership you are bound to be doing more work on the State side. I argue, therefore, that we should charge more against the State side than the Voluntary. (Page 152.)

To much the same effect was a statement made by a member from Edinburgh (Bro. A. Mackie), who took occasion to point out that

> My own District was rather generous with the State part, in not charging sufficient as the cost of the Voluntary, and the result is that the Voluntary Management Fund got into difficulties, and we have readjusted it, and we have made the State Department pay more towards the District Office than the Voluntary. I dare say you have the same experience, and with regard to the housing accommodation for State Insurance material, it takes far more room than the housing accommodation for the Voluntary, and I think the proportion should be adjusted on the lines of the membership, taking five-eighths and three-eighths. Here I see you charge more for the Voluntary than the State. I take it that the levy to the State ought to be 2d. per member with that adjustment. You wipe off from the Voluntary side a good deal of the deficit which has been caused through the last levy. (Page 153.)

It does not fall within the province of this discussion to pass upon the merits of the controversy, which is referred to only as an illustration of underlying causes of unrest and serious apprehension. The conflict of interests extends to the time which should be devoted to the two branches at the annual meeting. Complaint is made that the State section did not appear to get the consideration of which it was deserving. One member argued that another member had shown "no interest in the voluntary side." It was said in this connection that state insurance was not like the voluntary section, for "A great deal of the State business is ruled by regulations," while the

voluntary section had to make its own regulations. The importance of this point was emphasized by a discussion of recent regulations considering sickness supervision, as illustrated by a letter from the Insurance Commissioners received that morning. "This letter," is was said, "alters the position and takes away every shred of management. We are to be tied up by printed regulations, and we have not the time to consider it properly." There is no evidence throughout the proceedings of real freedom of action concerning any matter of essential importance in connection with state insurance. The status of the voluntary section is apparently merely that of an advisory body. As an illustration, mention may be made of the opposition to the new Ministry of Health, the functions of which would include national insurance. A member from South Wales (Bro. S. R. Marsh) argued that the proposal would require to be carefully watched, but he himself could only say "Do not let them handle the National Insurance Act by any hook or crook, or you will lose in an indirect way the birthright given us in 1911." A member from East Anglia (Bro. W. J. Merrywest) agreed with the speaker, but was of the opinion that "the Friendly Societies are helpless as Friendly Societies in the matter" (p. 183). Nothing, however, came of this protest, for the bill was passed as originally planned.

These may all seem to be small matters, but they bear directly upon the question of harmonious relations and efficiency in management. The proceedings throughout reflect the growing resentment against the increasing regulations, one member from Yorkshire (Bro. E. Lane) going so far as to say, with reference to interference by the higher authority, that "If it goes on they will come to the offices of the Centralised Branches, and tell us which way to put a stamp on when sending out correspondence" (p. 190).

In concluding the proceedings for the year there may be quoted in this connection a tribute to shepherdry in an editorial reference in the *Dunfermline Journal,* reading, in part,

> Pre-eminently among the Friendly Societies that are promoting thrift and mutual protection, especially in days of trial, stands the Loyal Order of Ancient Shepherds in respect of Christian principle. It does not, indeed, obtrude religious profession either on its members or on the public, but it does not conceal that its aim and efforts are inspired by the message given to the Shepherds on Bethlehem Plain two thousand years ago, with its assurance of peace and goodwill. The Order accepts that promise and faithfully works for its fuller and ever fuller realisation. (Page 207.)

1918

The ninety-second annual meeting of the order was held at Leeds, May 21, 1918. The subject of supervision of sickness is referred to in the chief shepherd's address, suggestive of the effect of the high cost of living, it being said that

> The present very high cost of living is a big deterrent to any one with a tendency to seek sick benefit for any small ailment, rather than work. The (to-day) small amount of ten shillings per week offers no inducement to lead an idle life! What the future may be, when the pressure and high wages will be a thing of the past, has yet to be seen. When conditions become again normal, it is then that the benefit of a more strict supervision of sickness will be felt. (Page 18.)

Reference is also made to the proposed Ministry of Health. Expression was given to the fear that "that promise of Mr. Lloyd George is not being fulfilled." This has reference to the efficiency of the medical service held out at the time the original act was under consideration. In Wales, it is said, "Insurance Committees have issued instructions to panel doctors to, as far as possible, prescribe stock medicines, which the chemists have been asked to keep in bulk, reverting to the practice, as it was said, of the old club doctor, who, we are told, varied his prescriptions between jars number 1, 2, 3, etc." (p. 21).

The only objective of this order was the desire to save in drug expenses,* for the statement is made in this connection that the insurance committees

> seem to have overlooked the temptation offered to a busy panel doctor, to lessen the work entailed in a careful diagnosis, and the thinking-out of a suitable remedy. I will not worry you with details of the ten stock solutions which they are asked to prescribe, but content myself by saying that some of them may cause harm, and some, in bulk, will not keep indefinitely. We may be sure the chemist will not destroy any of his stock, however long it may have been kept. If there are any members of Insurance Committees present where such an order is in force, I hope they will have the courage to attempt to have this practice altered, and to see that the insured person receives that which was promised—"The best medical advice and the best of medicines." (Page 21.)

This argument was concluded with a strong endorsement of a state medical service. The chief shepherd (Bro. W. Bowen Davies), in discussing the future of friendly societies, said "I think one of the effects of the National Health Insurance Act upon Friendly Societies was the desire created for payment for all services rendered, however trivial. If we find that this is so, the sooner the better we eradicate it." He therefore argued that much should be done to "develop savings banks and endowment branches, each calculated to improve and strengthen that desire for thrift and the fraternal feeling implanted in the majority of people, and which first induced us to join a Friendly Society" (p. 25). There is nothing, however, to sustain a hopeful view that the state section would in this respect give furtherance to the idea of voluntary thrift and the true friendly-society spirit. Reference, however, is made to the act of 1918, which provided that

> where a member ceases to be an employed contributor or a Voluntary contributor ceases to pay contributions, they shall remain insured persons for the purposes of medical and sanatorium benefit for a period of twelve months, so that generally membership would cease at the end of twelve months, but Subsection 4 provides that any period of illness of which notice is given during the prescribed period, shall not count, so that due regard must be given to this provision before such members are struck off. (Page 44.)

Voluntary membership, however, is not encouraged, but made rather difficult and unattractive. No statistics, unfortunately, are available to show the extent of voluntary membership during the different years since the act has been in operation.

A suggestive remark was placed on record by a member from Edinburgh (Bro. A. Mackie), who took occasion to say that it seemed to him that

> on the Voluntary side we treat our members as brethren, and on the State side we treat them as a lot of imposters, and we have to set up one set of officials to watch one set of members, and set up another lot of officers to see that these are doing their work. Soon we shall have some one to watch them. Certainly we are going too far in Prussianising State insurance. We should bring it up to the level of Friendly Societies rather than down to that of Prussianism. (Page 66.)

Equally interesting in this connection is the remark from a member from East Anglia (Bro. J. W. Merrywest), who was of the opinion that "while the old Friendly Society practice is so simple, the matter of State insurance is so complicated and has

*The practice of insurance committees is well illustrated by a case reported upon by the Medical Benefit Sub-Committee of the Insurance Committee for the County of London under date of January 27, 1921. In this case the doctor was called upon to answer the charge of excessive prescribing on the ground that the cost of his prescriptions for the quarter under review had been 11.9d., against an average of 9.3d. for the whole area. The Panel Committee reported that in its opinion the drugs and appliances ordered by the practitioner referred to for insured persons during the first quarter of the year 1920 had been in excess of what was considered reasonably necessary for the adequate treatment of those persons and that, therefore, the sum of £2 4s. 6d. be deducted from the remuneration payable. The strict enforcement of economical rules of prescribing, but entirely justifiable on grounds of economy, must in the long run affect adversely the interests of the patient. The burden placed upon the doctor to meet statistical averages of prescription-costs will be shifted in the manner that the most economical procedure will be adopted to avoid the risk of prosecution.

Government supervision as well as its own. It, therefore, takes a man to give up the whole of his time to understand everything in connection with it, and our secretaries can not give the time to study all the details" (p. 67). This is a very common and natural complaint, for all state insurance, being based on statutory rules and regulations and statutory requirements, must as a matter of law be enforced to the letter. This involves a vast amount of intricate and burdensome supervision not called for by the more simple and direct procedure in voluntary insurance. The cost of such administration must necessarily be both heavy and increasing. Complaints are common that the administration allowance is insufficient in the case of many important societies or branches. Referring to sick-visitors, a member from the Midland Counties (Bro. Thomas Rushton) emphasized the point that "the old feeling was passing away, and every one seems to be after his pound of flesh" (p. 79). This conviction is widespread and apparently in conformity to the facts.

In discussing the results of the quinquennial valuation, the actuary of the order (Bro. Clinton) brought out an amazing amount of inconsistencies, mentioning, as one of the sources of the difficulty, that "in consideration of the relief from certain contributions, the Voluntary side is relieved of the sickness benefits payable from the State side, and the amount the member now receives in the case of sickness including the State benefits can not be more than he previously received from the Voluntary side," only (p. 109). Referring to the progress in membership, it is said that this had not been as good as might have been expected. He was of the opinion that there was a lamentable lack of enterprise, and implied a diminishing sense of the fraternal spirit. He frankly admitted that at the outset at least, after the passing of the national insurance act, there had been much overinsurance. In fact, he said "There were very clear evidences of that in almost every instance." Another difficulty was the heavy sickness claims, attributed to ineffective control, as brought out by the undue proportion of claims for short periods. No analysis of claims by duration has ever been published on a sufficient scale to clearly set forth the facts that require to be known, but it is well understood that most of the sickness paid for under national health insurance is of comparatively short duration and therefore economically not by any means of the importance that sickness of long duration invariably is with the required proper medical attention in chronic diseases.

At the beginning of the year the order had an adult voluntary membership of 134,312, but by December 31, 1917, it had increased to 134,369, a net gain of only 57, in the case of an organization with a record of nearly one hundred years of extraordinary usefulness, liberality and efficiency in management!

1919

The ninety-third annual meeting was held in Aberdeen on June 10, 1919, under conditions in marked contrast to the dark period of the war. The chief shepherd (Bro. George Eaglesham) gave expression to the hope of a "return of that 'human touch' which characterised the activities of the forerunners and founders of Shepherdry; the mutual help principle is to become a real thing, and cooperative effort is to be applied on businesslike lines to the consolidation of schemes for the common uplift and protection against all the accidental adverse circumstances of life" (p. 15).

In his annual address, the chief shepherd referred to the urgency of a state medical service, including the whole population, in a statement which, on account of its importance, is given practically in its entirety below:

> To many of us in recent years a State Medical Service seemed to be an impossible venture. It seemed to us to be on a par with Parish Relief; no self-respecting workingman would ever think of applying for the services of a State doctor. During the past seven years we have learned many things, we have gained experience at a price which I earnestly hope no future generation of the peoples of this world will have to pay. To defend our country from the ruthless invader, our men had to join the Army, Navy, and Air forces. The

> medical examinations revealed how deficient was the health of the men, and led the authorities of the country to consider how we could improve the health of the people. Most of the highest and clearest thinkers have realised that steps should be taken to prevent such a state of affairs in the future, and following on the Ministry of Health have declared for a State Medical Service. I frankly admit I am a convert, and am convinced, by a close examination of the present Panel System of Medical Service and its results, a very large sum is being spent every year, and I can not find one who will say that the very best result is obtained for that expenditure. The lessons learned from the Panel System have induced many leaders in the country to adopt the State Medical Service as a more satisfactory method than the Panel System. Before progress is made in improving the health of the people we must have the whole system reorganised. The Panel System has served its day, it has educated the people so far that they realise that to go to a doctor paid by the State is not asking for treatment for charity's sake, but is a right they are entitled to and which has been provided by the whole of the people of the country. The Panel System only touches the fringe of a State Medical Service, as State-insured persons only number one-third of the population, are the healthiest section, and range from 16 to 65 years of age. What about the other two-thirds? Are they not equally entitled to Medical Service? We must have Medical Service extended to the whole population. (Page 23.)

There could be no more conclusive evidence of the failure of the panel system to meet the reasonable expectations of those best familiar with the urgent needs of the wage-earning population. In the words of the chief shepherd, "Public opinion must drive the Government to adopt National Medical Service, for again the health of the country is its wealth." This view-point unquestionably derived much support from the experience which had been had under the Army Medical Service, the Loyal Order of Ancient Shepherds having had nearly 25,000 members in active service with the forces and having sustained mortality losses on account of the war of nearly 4,000 lives. At the same time resentment was voiced against the numerous rules and regulations and the sterilizing effect on voluntary activity of state control. The general secretary (Bro. A. J. E. Saunders), in his annual report, observed in this connection that

> The wave of depression that came over our Voluntary workers with the inception of National Insurance is passing. The administration of National Health Insurance, tied down as it needs must be to rigid rules and regulations, does not appeal to the sentiment of our Voluntary workers, but in spite of their feelings they undertook and carried on the work of National Insurance; if they had not, and it had been left to the purely State-insured member to do, National Health Insurance would not have occupied the strong position it does to-day.

The direction, however, in which it was suggested the society should be more active was not in the development of the fraternal spirit, but rather in the adoption of the methods of collecting societies, or, in other words, the employment of paid canvassers to secure new members. The general secretary intimated that he had heard rumors "that eventually the Government want to buy us out," but he was satisfied the society had a long lease of life; but he, for one, would have it understood that his attitude to such a proposal was one of "determined hostility," for he did not believe that a state friendly society would accomplish anything like the good done by the present friendly societies, and the great moral, social and intellectual benefits which the societies had conferred upon the nation were admitted by the leading statesmen of the country. The hopeful outlook for the future was hardly justified by the facts of actual experience, for, commencing with a membership of 134,369 on December 31, 1917, the year closed with a membership of 134,909 on December 31, 1918, a net increase of only 540 new members. Yet 6,054 members had been admitted during 1918. While there had been 3,253 deaths, the number who had left the order during

the year was 2,261. It is self-evident that the growth of the order is now largely through juvenile branches, and in this respect a fairly satisfactory result was achieved during the year, the number of such members having increased from 70,296 to 75,480.

In the state branch, however, the membership was increased from 185,412 to 189,512, most of the increase, however, having been secured among women members, constituting now about one-half of the total of the state membership. The act of 1918 was referred to by the general secretary in his report as having "had the effect of shearing away many of the fantastic provisions that were incorporated in the original act for political and other reasons." The additional war liabilities brought upon the society suggested the urgency of a grant from the Government, and the question was raised by a member from Glasgow (Bro. A. F. McEwen) "Why were the Friendly Societies not being treated as some other collective movements had been treated? They represented bodies just as democratic as any labour movement, and yet, in reply to a deliberate letter sent in December [to the Government] there was no acknowledgment of the important matter by the Chief of the Government. He emphasised the point, so that Friendly Societies should adopt the only tactics that were absolutely essential to get anything from a Parliamentary Government," and while "the Parliamentary Agents were supposed to look after their interests, surely a Conference representing millions of men had a right to expect similar courteous and considerate treatment to that which was given to other bodies of working men." "There was," therefore, it was said, "no more important matter deserving serious consideration than the extraordinary position in which Friendly Societies were placed through the results of the war" (p. 80). Regardless of this view-point, no action was taken by the Government, possibly quite justified in its position that the losses should be borne by friendly societies, as they had been borne, as insurance companies transacting business as a matter of private enterprise. In a subsequent discussion of the valuation, a member from Aberdeen (Bro. J. Milne) said he was glad that a member had emphasised the point that "they should not allow the voluntary side of the work to be swallowed up by the State section," though, "as one who had had a full sense of responsibility on behalf of the Order, he knew that when anything was necessary to secure financial stability by self-sacrificing effort it would be done, and he wanted it to go out that so long as they were working as a thoroughly good Approved Society they were equally determined that the first plank in their work was the voluntary side and it would not be allowed to suffer until they had reached the state of absolute solvency" (p. 103). These remarks touched upon a long line of difficulties, some of which certainly seem to admit of no practical solution as long as the state side of the business takes up the major portion of the technical consideration of the joint business transacted by approved societies. In discussing valuation reforms, particularly with reference to the effect of Section 72, it was pointed out that in a large number of cases the schemes adopted under this section had either been ignored or greatly misunderstood, with the result that members had been allowed a greater reduction of contributions than the scheme allowed, and that benefits had been paid to which its members were not entitled. It was therefore suggested that the executive should take every possible step "to get the whole of the schemes under Section 72 cancelled, and a return made to the original position." A member from Cardiff (Bro. W. J. Radley), in moving the adoption of this suggestion, said "The Act was a mystery then, it was a mystery now, and would forever continue so. He thought they could do something by which the members could be brought back. They were in a different position now. Members were earning better wages; but what was the position of members coming back, and how long would they have to wait before becoming good members? He thought they should wait twelve months. Great stress was laid at the time to get members to take the benefit, but they were not given the proper reduction. There were Lodges in his own District in a hopeless plight" (p. 107).

The technical aspects of this question can not be dealt with on this present occasion, but in connection with the foregoing there may be quoted the remark of a member from Essex (Bro. H. Titmarsh), who said, in part,

> Why Section 72 should be done away with was that many lodges were paying for a full period of 48 weeks, and many members consented to the reduction because they thought it would be made up by the Lodge. Members to-day were paying a shilling per month, or varied amounts, and were paid no benefit except funeral benefit. He heartily agreed that this scheme should be got rid of, but they must not run away with the idea that it was a simple matter to do. In his opinion, the Registrar would raise considerable objection. (Pages 107-108.)

The fear that under such conditions the voluntary side would have to yield to the interests of the state side was once more emphasized in a remark by a member from Glasgow (Bro. A. F. McEwen), who said that he was especially gratified by the optimistic view taken of the future outlook as to the Government swallowing up the Friendly Societies, for unless they were prepared to take matters more progressively than they had done for the last four or five years, and to get on to wider lines, the Government would not require to swallow them up, for they would die of inanition (p. 124).

Throughout the conference the question of state insurance and state policy prevailed as matters apparently of more serious concern than the minor details of management concerning the voluntary side, which, previously to state insurance, had taken up exclusively the time available for the purpose. The then-proposed Ministry of Health received further consideration and particularly that section of the proposed law which transferred the poor-law administration from the Local Government Board. Strenuous objections to any association with the poor-law were raised by those present, but in this, as in many other matters of vital concern to the cause of mutual thrift, the view-point of the friendly societies was set aside. At the same time expression was given more than once to the opinion that the existing panel service should be replaced by a universal medical service, the argument being advanced by a member from Glasgow (Bro. J. Grieve) that "The doctors should not work more than 33 hours per week, but they would be expected to work while they were at it" (p. 130). He argued also that "They wanted prevention as well as the cure of disease, and to deal with the question properly they must look at it from the financial aspect. At present every insured person had to pay 9s. for treatment, and that did not include any domiciliary treatment." He referred to statistics presented by the clerk to the Glasgow Burgh Insurance Committee, according to which a complete state medical service, including general, special and maternity treatment, could be provided at a cost of not quite 5s. 4d. per person per annum. In this connection the question was raised again by a member from Wisbech (Bro. J. W. Merrywest) as to an occurrence during the previous week, when an influential newspaper had asked the question "Why Friendly Societies should not be taken over by the Ministry of Health?"

The conference disclosed a strong drift towards a state medical service, and the argument was frankly stated that "the Medical Service should not be allowed to remain under purely medical control."

Near the close of the session the urgency of an increased allowance for administration received extended consideration. It was pointed out that many of the approved societies had from the commencement held to the view that 3s. 5d. per member per annum was not sufficient, but that they had been forced into accepting this amount by powerful organizations not connected with the friendly society movement. This question, which is elsewhere referred to, has not reached a satisfactory settlement even to the present day, but it is still, in the words of the editor of *The National Insurance Gazette*, "a burning question." The demand on the part of societies is for an administration allowance of 5s. per person per annum as the only means to meet the demand for more adequate compensation on the part of the clerical staff and

increased expenses for other reasons. Originally, 3s. 8d. per insured person per annum was allowed, of which 3d. went to the insurance committees for the administration expenses of medical benefit, leaving 3s. 5d. for the use of approved societies. This was subsequently increased by a shilling, or to 4s. 5d., as of January 1, 1920, and an additional sum, estimated at 1d. per person per annum, was made available to recompense approved societies for the extra postal rates imposed for the year. This allowance seems to cover all expenses, but societies that show a surplus on valuation will have their expenses in connection with the distribution of surpluses specially met. But the complications of this arrangement are better illustrated by reference to the Approved Societies Consolidated Regulations of 1920, which in the first schedule appended provide that "The maximum sum which may be carried to the administration account of a Society or Branch for the year out of contributions payable under the Act shall be the sum of amounts calculated in the following manner, that is to say: (a) For every member of the society or branch who is a seaman, marine, soldier or airman in the service of the Crown, the amount of 2s. 2½d.; (b) For every other member of the society or branch the amount of 4s. 5d.; Provided that in the case of any Society, whether transacting business in Great Britain or Ireland, the said sum of 4s. 5d. shall be increased by the amount by which the sum prescribed under Section 7 (1) of the Act of 1920 as payable towards the administration expenses of Insurance Committees falls short of 4d."

The foregoing requires only to be stated in the official language to illustrate the resulting complexities in actual administration. The questions involved are of the first importance to the societies concerned, on account of the rising tide of discontent with the meager compensation provided for work requiring clerical ability and devotion of a high order. I can not do better than quote in this connection the language of the president of the National Conference of Friendly Societies (Mr. Thomas Lewis), who said, in a recent meeting called to protest against the insufficient allowance, that "some of them felt they had begged of the Government long enough for the necessary funds to administer the National Health Insurance properly." But "We say," he declared, "that we ought to be able to give to our staffs a decent living wage," and that "They had determined not to go on any longer having sweated staffs, and the various Approved Societies intended to go to the full extent to procure the amount from the Government in increased administration allowance." At this meeting another speaker called attention to actuarial miscalculations, as the result of which both the insured members and the staffs of approved societies were suffering pecuniary loss, although the money was available. According to another speaker, "the advice of Sir John Simon, a former law officer of the Crown, had been taken, and he had expressed the view that certain provisions in the regulations under which the administration allowance to the Societies had been limited since 1912 were ultra vires, and that State grants to a considerable amount improperly withheld thereunder were now claimable." According to the *National Insurance Gazette*, of January 22, 1921, "Failing an immediate increase in the allowance being conceded as regards the future, it was decided at once to institute proceedings with a view to securing from the Courts a declaration in accordance with counsel's opinion, and a resolution was carried urging the consultative council to request an increase in the administration allowance to 5s. per member per annum, a report of their negotiations to be submitted to a subsequent meeting."

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The latest report available concerns the proceedings of the ninety-fourth annual meeting, held at Ansdell, Lytham, May 24, 1920. It may not be out of place to review the progress of the order during the last seven years, for which the statistical data are conveniently available. On December 31, 1913, when the insurance act had been in force about a year, the adult membership of the order was 143,017. The membership steadily diminished to a minimum of 134,312 in 1917, and remained at about the same figure during 1918 and 1919, but that year a special effort to increase the membership

resulted in 12,433 new admissions, producing, however, a net increase (including deaths) of only 6,729. In other words, on December 31, 1919, the membership stood at 141,638, or still 1,579 below the figure of six years before! This record, therefore, justifies the statement frequently made that the friendly societies, in so far as the experience is typical, have been hindered rather than helped by state insurance. The chief shepherd (Bro. S. R. Marsh, of Cardiff), in his annual address, strongly emphasized the urgency that the society "set out in real earnest to solve the problems concerning it," for, "As a Friendly Society man," he sometimes thought the movement was in peril, and he sometimes despaired of the country regaining its former sanity, but as a friendly-society man he thought that "they could do a lot in this direction by advice and encouragement to all with whom they came in contact." Referring to the increasing competition with collecting societies, he reemphasized the well-known fact that "Friendly Societies were not out for profit." At the same time he realized the necessity of adequate payments, being of the opinion that the higher benefits in the state health insurance were quite inadequate, considering the increased cost of living. Referring to the administration of sanatorium benefit, he deplored the unsatisfactory results in this direction, quoting a high authority to the effect "that 75% of the patients discharged from sanatoria as cured have within a short period died from the very disease they were supposed to have been cured of" (p. 17).

Discussing the insurance act in detail, he took occasion to say

> The new Act, as you know, materially increases the benefits for sickness and maternity, and I sincerely trust it will be of immense service to the people. If we are to be spoon-fed, then let us have the best food. But I am not so sure of the State doing too much for us. If we let them, they will be too ready to "do us." When one thinks that the total contributions paid for men will be 10d. per week, plus the State contribution for benefits paid, one does not wonder that many people are asking what becomes of the money, and where does it all go to. I am prepared to say that the *Friendly Societies give bigger benefits for less money*, and when one considers the question from the payers' point of view the Insurance Act is as nought. We know that everybody must be insured, whatever their physical condition, and we also know that Societies can refuse to accept members if they fail to come up to a standard of fitness; therefore we can truthfully say that means selected lives. Then surely it is not too much to expect the State to do more than the Voluntary Societies. But the State does not do that, and to my mind the real benefit to the people of National Insurance is strangled by red tape and regulations; the only people who seem to get any benefit from it are the medical profession. That splendid vision of the Promised Land flowing with milk and honey seems farther off than ever, and it behooves us all to carefully watch future social legislation, and the Friendly Society movement should be more ready to enter the lists against any Statesman, however popular, who will promise anything if we will only act like good children and do what we are told. There are no bodies more capable of looking after the interests of sick persons than the Friendly Societies. A sick person will never get well if most of the nourishment consists of red tape and regulations. Humanity should enter largely into the administration of sick benefits and humanity is to be found within the circle of Friendly Societies. (Page 17.)

I have quoted these rather extended remarks in full as a forceful illustration of the view-point of conservative leaders in the friendly-society movement of the present day. There is no intention to obstruct or to oppose, but an entire willingness to cooperate with the State as far as this may be possible. Above and beyond the narrow conceptions of political duty, however, lie the higher thought of answerableness to the spirit of true fraternity and the conservation of an interest carried forward from generation to generation for almost an entire century.

In the report of the executive committee an extended reference is made to the need of an increased administration allowance, and while it was held that 5s. per person per annum might be sufficient, one of the associations at least resolved that 5s. 6d was hardly more than adequate. The most important problem of the year, however, was the new unemployment-insurance bill, which it was proposed to extend so as to include friendly societies as one of the means for administering benefit. In the discussion, reference was made to the inflated promises held out by the Government at the time the national insurance act of 1911 was under consideration and the assurance explicitly given that the interests of friendly societies would be safeguarded. Unemployment insurance was considered an economic necessity, and a strong conflict of interest would result if trade-unions only were given a monopoly in administering benefits under the new act. The position of the friendly societies was set forth in the following words: "The Friendly Societies should make it known to Trade Unionists that if they were determined after working hand in hand together for well-nigh a century because their objects were so closely allied—if they were determined to quarrel and Friendly Societies had to fight for existence, they would need to prove to the Labour Party that the Friendly Societies of this country had not yet lost their influence upon the workers of the community" (p. 57).

It would serve no purpose to enlarge upon this controversy further than to say that the friendly societies were at first formed into an association to administer unemployment insurance, but subsequently found it necessary to withdraw, on account of the burdensome restrictions imposed, making a whole-hearted and effective cooperation impossible. But it may not be out of place to put on record the argument advanced at the time, that

> The majority of the Trade Unionists were Friendly Society men. They would stand by and see to it that the Friendly Society movement was not penalised. If the Trade Unionist extremists did not work the Act, the Friendly Societies could do it for them. One advantage would be that they would work with a democratic institution rather than a bureaucratic one. Trade Unionists could only cover part of the area of the country, and could not get into touch with other bodies so well as the Friendly Societies could. If they worked it, a tremendous expense would also be saved as against the cost of a huge Labour Exchange. Friendly Societies were sufficiently strong to exercise a power if they only would put their shoulders to the wheel. (Page 59.)

I may also add the emphatic statement by a member from Glasgow (Bro. A. F. McEwen), who was of the opinion that "the Friendly Societies have been betrayed," while another member from Glasgow (Bro. J. Grieve) quoted the resolution adopted by a conference of associations of approved societies, to the effect that

> as the Unemployment Bill now before Parliament does not make adequate monetary provision for the workers during periods of enforced unemployment; does not extend the same benefits to women as to men; excludes domestic, agricultural, and Irish workers from its provisions; allows certain industries with a more favourable experience of employment to "contract out," thus placing upon the most subject to unemployment the greater burden; fails to make use of the most efficient and democratic machinery of the Approved Societies to administer its provisions, and that unless these defects are remedied, this Conference urges the withdrawal of the present Bill and the substitution of one embodying the proposals made by your Executive Committee in their Memorandum already published on this subject. (Page 61.)

These discussions are of interest chiefly as illustrations of the time-consuming effect of the state branch of friendly societies, to the detriment of a proper consideration of the interests of the voluntary membership. The reports furnish abundant evidence that certainly more than half the entire time was consumed by state insurance and a

thoughtful discussion of questions and problems connected therewith demanding serious consideration. With other matters, the subject of medical benefits was brought up, and cases were cited of the lamentable shortcomings of panel practice, a member from Bristol (Bro. H. C. Lapham) presenting the case of a member who had been referred to as suffering from cancer and who had not been able to get a medical certificate. This matter was taken up with the Government, but nothing was done. Hence the case was "without medical attendance for forty-five days, and after the matter had been considered by the Insurance Committee he was allowed the munificent sum of 1s. 8d." (p. 70).

Largely upon such evidence, the eighth annual conference of the Association of Approved Societies, at a meeting held in London on April 10, 1920, resolved:

> That in view of the failure of the "panel system" to minister adequately to the medical needs of the insured population, as well as the lack of any provision for that large section of the community who are economically unable to secure the medical attention which is essential to the highest standard of personal and national health, this Conference is of the opinion that the time has come when the panel system and all public health services should be substituted by a comprehensive State Medical Service, securing to the whole population, at the national expense, the most efficient and complete service that medical, surgical and dental science can offer. (Page 71.)

This resolution was referred to with approval in subsequent discussion of the new medical-benefit regulations, a member from Manchester (Bro. F. Andrew) giving expression to the hope for a state medical service, though he anticipated a strong opposition on the part of the medical profession. A member from London (Bro. A. Green) was opposed to any further extension of the sphere of the State in this direction, but on the whole the sentiment was favorable to a radical change.

The difficulty of adjusting the discussion proportionately to the interests of the state and the voluntary section is reemphasized in a statement by a member from East Anglia (Bro. J. W. Merrywest), who contended "that while they wanted the Voluntary business to be in the forefront, the State section was very important, and constituted a great deal of the revenue. They would only get the State business rushed if it were always left to the last day. What they wanted was fair play for the State business in alternate years" (p. 109).

These surface indications are deserving of thoughtful consideration. They clearly show the growth of a conflict which may at any time assume disastrous proportions. There is nothing throughout the proceedings to indicate that the insurance act is approved of as a measure rendering the assistance promised, but rather that it is a palliative and possibly a mere substitute for a crudely administered poor-law. No element of the British electorate has been more bitterly opposed to the inclusion of the poor-law administration within the plan and scope of the Ministry of Health, but its wishes in this respect were disregarded, as in many others considered vital to the future progress of the friendly-society movement.

The proceedings square on the whole with the deliberations of other friendly societies. One and all give evidence that the old-time progress, with the decay of the old-time friendly-society spirit, has practically come to an end. The sinister influences of state insurance, however vaguely perceived, are primarily responsible for a condition which those who are familiar with the history and the promise of friendly societies must needs look upon as a calamity in British industrial and social life.

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